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ARIZONA CORPORATION COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS:

GARY PIERCE, Chairman
SANDRA D. KENNEDY
PAUL NEWMAN
BOB STUMP
BRENDA BURNS

Arizona Corporation Commission

DOCKETED

OCT 14 2011



IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY, AN ARIZONA
CORPORATION, FOR A DETERMINATION
OF THE CURRENT FAIR VALUE OF ITS
UTILITY PLANT AND PROPERTY AND
FOR INCREASES IN ITS RATES AND
CHARGES BASED THEREON FOR
UTILITY SERVICE BY ITS
ANTHEM/AGUA FRIA WASTEWATER
DISTRICT, SUN CITY WASTEWATER
DISTRICT, AND SUN CITY WEST
WASTEWATER DISTRICT.

DOCKET NOS. W-01303A-09-0343
and SW-01303A-09-0343

**AMENDED NOTICE OF FILING
SURREBUTTAL TESTIMONY**

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...

1 The City of Phoenix hereby files another copy of Exhibit A to the Surrebuttal
2 Testimony of Denise Olson. This Amended Notice and filing is the result of a request of
3 Arizona Corporation Commission staff due to the poor quality of the copy of Exhibit A in
4 the original filing.

5 RESPECTFULLY SUBMITTED this 14th day of October, 2011.

6 GARY VERBURG, City Attorney

7 By Cynthia S. Campbell
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9 Assistant City Attorney
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10 Original and 13 Copies of the
11 foregoing hand delivered this
14th day of October, 2011 to:

12 Docket Control
13 Arizona Corporation Commission
1200 W. Washington
14 Phoenix, AZ 85007

15 Administrative Law Judge
Arizona Corporation Commission
16 1200 W. Washington Street
Phoenix, Arizona 85007

17 Copies of the foregoing
18 mailed this
14th day of October, 2011, to:

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PHOENIX, ARIZONA 85003-1611

Exhibit A

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3
4 ANTHEM WHOLESALE WATER/WASTEWATER SERVICE AGREEMENT

5 between

6 CITY OF PHOENIX, ARIZONA

7 and

8 CITIZENS WATER RESOURCES COMPANY OF ARIZONA
9
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11 Dated as of September 22, 2000
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EXHIBITS

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Definitions

5 Exhibit B

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Project Location

6 Exhibit C

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Phoenix Area

7 Exhibit D

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Designation of Representative

8 Exhibit E

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Water Line Easement from Developer

9 Exhibit F

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Water Line Easement From Phoenix as to "Gaps"

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ANTHEM WHOLESALE WATER/WASTEWATER SERVICE AGREEMENT

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AGREEMENT dated as of September __, 2000, between the CITY OF PHOENIX,
ARIZONA, an Arizona municipal corporation ("Phoenix"), and CITIZENS WATER
RESOURCES COMPANY OF ARIZONA, an Arizona corporation ("TreatCo").

8

RECITALS:

9

A. Anthem Arizona, L.L.C. ("Developer"), is an Arizona limited liability company that is
the successor by merger to The Villages at Desert Hills, Inc., an Arizona corporation, and is an
affiliate of Del Webb Corporation, a Delaware corporation ("Webb"). Developer is constructing a
new residential community in Maricopa County, Arizona, known as Anthem Arizona (the
"Project"). The Project is being constructed pursuant to an approved 5,661-acre Development
Master Plan (DMP 94-6, as may be amended from time to time). The Project area is depicted
generally on Exhibit B.

16

B. A portion of the Project, comprising approximately 906 acres and depicted generally on
Exhibit C (the "Phoenix Area"), is located within the current geographic boundaries of Phoenix.

18

C. Citizens Communications Company, a Delaware corporation formerly known as
Citizens Utilities Company ("Citizens"), through subsidiaries and operating divisions, provides
water and wastewater services in the State of Arizona and other jurisdictions. TreatCo and Citizens
Water Services Company of Arizona, an Arizona corporation ("DistCo"), are wholly-owned
subsidiaries of Citizens.

1 D. Webb, Developer, Citizens, TreatCo and DistCo (the "Anthem Parties") entered into an
2 agreement regarding water/wastewater infrastructure and services for the Project, dated as of
3 September 29, 1997, as amended (the "Infrastructure Agreement").

4 E. As required by the Infrastructure Agreement, Webb and Developer have constructed or
5 will construct within the Project water and wastewater treatment, distribution and collection
6 facilities for the Project, including the Phoenix Area.

7 F. As required by the Infrastructure Agreement, Citizens, TreatCo and DistCo applied to
8 the Arizona Corporation Commission (the "Commission") for, among other things, issuance to
9 TreatCo and DistCo of certificates of convenience and necessity to provide water and wastewater
10 services within the Project, including the Phoenix Area. On June 19, 1998, the Commission granted
11 the requested certificates of convenience and necessity to DistCo and TreatCo. As required by
12 Arizona statute, the certificates pertaining to the Phoenix Area were conditioned on obtaining the
13 consent of Phoenix thereto.

14 G. Phoenix desires to be the provider of Retail Water and Wastewater Services in the
15 Phoenix Area.

16 H. Phoenix and TreatCo desire to set forth their mutual expectations regarding:

17 i. TreatCo's provision of temporary Wholesale Water and Wastewater Services to
18 Phoenix to facilitate the provision by Phoenix of Retail Water and Wastewater Services for
19 the Phoenix Area.

20 ii. Phoenix's provision of "emergency" and "peak" Wholesale Potable Water
21 Services to TreatCo to facilitate the provision by DistCo of Retail Potable Water Services
22 for the Project area other than the Phoenix Area.

1 iii. TreatCo's construction, ownership and operation of certain recharge and
2 recovery facilities in the Phoenix Area.

3 iv. TreatCo's provision of Wholesale Non-Potable Water Services to Phoenix to
4 facilitate the provision by Phoenix of Retail Non-Potable Water Services for the Phoenix
5 Area.

6 I. To facilitate the provision of Retail Water and Wastewater Services within the Phoenix
7 Area, and to accommodate the desire of Phoenix that the Retail Water and Wastewater Services for
8 the Phoenix Area be provided by Phoenix (that is, that such services be provided in a manner
9 different than the manner contemplated by the Infrastructure Agreement), the Parties desire that:

10 i. Phoenix will be the actual provider of Retail Water and Wastewater Services to
11 the Phoenix Area.

12 ii. TreatCo will provide (a) Wholesale Potable Water Services to Phoenix to enable
13 Phoenix to provide Retail Potable Water Services within the Phoenix Area, until Phoenix
14 has connected the Phoenix Area to the Phoenix Potable Water Treatment Facilities, (b)
15 Wholesale Wastewater Services to Phoenix to enable Phoenix to provide Retail Wastewater
16 Services within the Phoenix Area, until Phoenix has connected the Phoenix Area to the
17 Phoenix Wastewater Treatment Facilities, and (c) Wholesale Non-Potable Water Services to
18 Phoenix to enable Phoenix to provide Retail Non-Potable Water Services within the Phoenix
19 Area, until Phoenix has connected the Phoenix Area to the Phoenix Non-Potable Water
20 Treatment Facilities.

21 J. To facilitate the provision of water service to the County Area, the Parties desire that:

1 i. Phoenix will provide supplemental "emergency" and "peak" Wholesale Potable
2 Water Services to TreatCo on completion of an interconnection between the Phoenix
3 Potable Water Treatment Facilities and the TreatCo System.

4 ii. TreatCo will pay Phoenix certain amounts for the benefits anticipated to be
5 derived from that interconnection.

6 iii. Phoenix will grant TreatCo certain permits and licenses within the public rights-
7 of-way and/or public easements in connection with the recharge and recovery facilities of
8 TreatCo located in the Phoenix Area.

9 AGREEMENT:

10 NOW, THEREFORE, the Parties agree as follows:

11 ARTICLE I

12 DEFINITIONS; REPRESENTATIVES; CONDITION PRECEDENT

13 1.1 Definitions and Interpretations.

14 Capitalized and other terms used in this Agreement have the meanings set
15 forth in Exhibit A, unless the term is defined elsewhere in this Agreement and unless the context
16 requires otherwise. Those terms include the singular and the plural forms of the defined terms.

17 1.2 Authorized Representatives.

18 1.2.1 Authority to Act.

19 Each Party will designate at least one individual officer or
20 employee who will be its representative ("Representative"). The Representative is authorized to
21 act on behalf of the Party in performing the provisions of this Agreement that specifically refer to
22 that Representative. A Party may designate more than one Representative. The designation may
23 be changed from time to time. The designation must be made in a writing that also (a) contains

1 the specimen signature of the designee(s), (b) is signed on behalf of the Party by a duly authorized
2 officer, and (c) is provided to all of the other Parties. The designation may (but is not required to
3 be) in the form attached as Exhibit D.

4 1.2.2 No Release.

5 Each Party is responsible for the acts or omissions of its
6 Representative(s). The designation of a Representative by a Party does not release the Party
7 from responsibility for performance of its obligations under this Agreement.

8 1.3 Condition Precedent; Deadline.

9 1.3.1 Cancellation of CC&Ns.

10 Cancellation by the Commission of the CC&Ns which pertain to
11 the Phoenix Area and which are held by TreatCo and DistCo (together with Commission
12 approval of this Agreement as executed by the Parties or, alternatively, Commission
13 determination that its approval of this Agreement is not necessary for the Agreement to be
14 enforceable) is a condition precedent to the Parties' rights and obligations under Articles II
15 through XII of this Agreement. If such cancellation (with the accompanying approval or
16 determination) does not occur within 121 days after the date of this Agreement, either Party may
17 terminate this Agreement on 15-days' prior written notice to the other Party.

18 1.3.2 Filing of Cancellation Request.

19 After execution of this Agreement, TreatCo and DistCo will
20 prepare, file and affirmatively support with the Commission a request for cancellation of the
21 CC&Ns as described in Section 1.3.1. Phoenix will cooperate with TreatCo and DistCo in
22 connection with that request and will affirmatively support that request.

1 ARTICLE II

2 BASIC TRANSACTIONS

3 2.1 Construction of Principal Infrastructure for Phoenix Area.

4 Phoenix will design and construct (or cause to be designed and
5 constructed) the Phoenix Distribution Facilities, as provided in Article III. Phoenix and TreatCo
6 will coordinate the design and construction of the Delivery Points, as provided in Article III.

7 2.2 Potable Water Service.

8 2.2.1 Phoenix Area.

9 Phoenix is solely responsible for providing Retail Potable Water
10 Services to residents and other persons in the Phoenix Area, as provided in Article IV. Until
11 Phoenix has connected the Phoenix Distribution Facilities to the Phoenix Potable Water
12 Treatment Facilities, TreatCo will provide Wholesale Potable Water Services to Phoenix, to
13 enable Phoenix to provide such Retail Potable Water Services, as provided in Article V.

14 2.2.2 County Area.

15 Phoenix will provide supplemental "emergency" and "peak"
16 Wholesale Potable Water Services to TreatCo under certain circumstances, as provided in Article
17 VI.

18 2.3 Wastewater Service.

19 Phoenix is solely responsibility for providing Retail Wastewater Services
20 to residents and other persons in the Phoenix Area, as provided in Article VII. Until Phoenix has
21 connected the Phoenix Distribution Facilities Area to the Phoenix Wastewater Treatment
22 Facilities, TreatCo will provide Wholesale Wastewater Services to Phoenix, to enable Phoenix to
23 provide such Retail Wastewater Services, as provided in Article VIII.

1 2.4 Non-Potable Water Service.

2 Phoenix is solely responsible for providing Retail Non-Potable Water
3 Services to residents and other persons in the Phoenix Area, as provided in Article XI. Until
4 Phoenix has connected the Phoenix Distribution Facilities to the Phoenix Non-Potable Water
5 Treatment Facilities, TreatCo will provide Wholesale Non-Potable Water Services to Phoenix, to
6 enable Phoenix to provide such Retail Non-Potable Water Services to residents and other persons
7 in the Phoenix Area, as provided in Article X.

8 2.5 Recharge and Recovery Facilities.

9 TreatCo will own and operate certain groundwater recharge and recovery
10 facilities in the Phoenix Area (and Phoenix will grant TreatCo certain required permits and
11 licenses within the public rights-of-way and/or easements), as provided in Article XI.

12 2.6 Payments by TreatCo.

13 TreatCo will pay certain amounts to Phoenix, as provided in Article XII.

1 ARTICLE III

2 CONSTRUCTION OF BASIC INFRASTRUCTURE

3 3.1 Phoenix Distribution Facilities.

4 3.1.1 Creation of Phoenix Distribution Facilities.

5 Phoenix will design, construct, operate and maintain (or cause to
6 be designed, constructed, operated and maintained) the Phoenix Distribution Facilities. TreatCo
7 is not obligated to design, construct, operate or maintain the Phoenix Distribution Facilities.

8 3.1.2 Cost of the Facilities.

9 Phoenix is solely responsible for causing to be paid the costs of
10 designing, constructing, operating and maintaining the Phoenix Distribution Facilities. TreatCo
11 is not responsible for those costs.

12 3.2 The Delivery Points.

13 3.2.1 Siting.

14 The Parties will mutually agree on the location of the Delivery
15 Points, taking into account practical engineering and operating considerations. The Parties
16 acknowledge that it is presently contemplated that the Delivery Points will be located as depicted
17 on Exhibit C.

18 3.2.2 Ownership.

19 Phoenix will own (a) the TreatCo-to-Phoenix Potable Water
20 Delivery Point, (b) the Phoenix-to-TreatCo Wastewater Delivery Point, and (c) the TreatCo-to-
21 Phoenix Non-Potable Water Delivery Point (collectively, the "Phoenix-owned Delivery Points").
22 TreatCo will own the Phoenix-to-TreatCo Potable Water Delivery Point (also known as the
23 "TreatCo-owned Delivery Point").

1 3.2.3 Plans and Specifications.

2 The owner of a Delivery Point will cause the plans and
3 specifications (and the related construction timetable) for the Delivery Point, including meter
4 installation and telemeter connections, to be prepared by Developer or other third party (in
5 consultation with the non-owning Party) and submitted to the non-owning Party. If the non-
6 owning Party objects to any aspect of the plans and specifications (and the related construction
7 timetable), those objections must be made in writing and delivered to the owning Party within 30
8 days after delivery of the plans and specifications. If the Parties are unable to resolve their
9 differences within 30 days after delivery of the objections, the dispute will be resolved as
10 provided in Article XIII.

11 3.2.4 Construction.

12 After the plans and specifications (and the related construction
13 timetable) for a Delivery Point have been approved by the non-owning Party, the owning Party
14 will cause the Delivery Point to be constructed. The construction must be in accordance with the
15 plans and specifications (and the related construction timetable). The Delivery Points must be
16 completed and operable no later than the following dates:

<u>Delivery Point</u>	<u>Deadline</u>	<u>Owner</u>
TreatCo-to-Phoenix Potable Water Delivery Point	January 1, 2001	Phoenix
Phoenix-to-TreatCo Wastewater Delivery Point	January 1, 2001	Phoenix
TreatCo-to-Phoenix Non-Potable Water Delivery Point	January 1, 2001	Phoenix
Phoenix-to-TreatCo Potable Water Delivery Point (also known as the TreatCo-owned Delivery Point)	June 1, 2005	TreatCo

1 3.2.5 Maintenance.

2 TreatCo is solely responsible for maintaining, repairing and
3 replacing the TreatCo-owned Delivery Point, and Phoenix has no responsibility for that
4 maintenance, repair or replacement. Phoenix is solely responsible for maintaining, repairing and
5 replacing the Phoenix-owned Delivery Points, and TreatCo has no responsibility for that
6 maintenance, repair or replacement.

7 3.2.6 Access and Calibration.

8 Phoenix will have a right of access at all times to the TreatCo-
9 owned Delivery Point solely for purposes of inspection, including measuring the accuracy of the
10 meters associated therewith. TreatCo will have a right of access at all times to the Phoenix-
11 owned Delivery Points solely for purposes of inspection, including measuring the accuracy of the
12 meters associated therewith.

13 3.2.7 Responsibility for Design and Construction Costs.

14 The owning Party is solely responsible for causing to be paid the
15 costs of designing and constructing each Delivery Point owned by it. The non-owning Party is
16 not responsible for the costs of designing and constructing that Delivery Point.

17 3.3 Interconnection Lines.

18 3.3.1 Between Delivery Points and TreatCo System.

19 3.3.1.1 Creation.

20 TreatCo will design, construct, operate, maintain, repair
21 and replace (or cause to be designed, constructed, operated, maintained, repaired and replaced)
22 the water and wastewater lines that connect the Delivery Points to the TreatCo System. The
23 design and construction of those lines must be such as will enable TreatCo to deliver and receive

1 water and wastewater (as applicable) as contemplated by this Agreement. Phoenix is not
2 obligated to design, construct, operate, maintain, repair or replace those lines.

3 3.3.1.2 Cost.

4 TreatCo is solely responsible for causing to be paid the
5 costs of designing, constructing, operating, maintaining, repairing and replacing the water and
6 wastewater lines that connect the Delivery Points to the TreatCo System. Phoenix is not
7 responsible for those costs.

8 3.3.1.3 Timetable.

9 The Parties acknowledge that TreatCo has caused the water
10 and wastewater lines that connect the Delivery Points to the TreatCo System to be constructed
11 and operable.

12 3.3.1.4 Rights-of-Way.

13 If and to the extent the Delivery Points are located within
14 the Phoenix Area (so that some portion of the water and wastewater lines that connect the
15 Delivery Points to the TreatCo System are also located within the Phoenix Area), Phoenix will
16 grant TreatCo permits and licenses within the public rights-of-way and/or public easements in
17 connection with those lines. Those permits, licenses or easements will be subject to
18 requirements and conditions similar to those described in Section 11.3.

19 3.3.2 Between Delivery Points and Phoenix Distribution Facilities.

20 3.3.2.1 Creation.

21 Phoenix will design, construct, operate, maintain, repair
22 and replace (or cause to be designed, constructed, operated, maintained, repaired and replaced)
23 the water and wastewater lines that connect the Delivery Points to the Phoenix Distribution

1 Facilities. The design and construction of those lines must be such as will enable Phoenix to
2 deliver and receive water and wastewater (as applicable) as contemplated by this Agreement.
3 TreatCo is not obligated to design, construct, operate, maintain, repair or replace those lines.

4 3.3.2.2 Cost.

5 Phoenix is solely responsible for causing to be paid the
6 costs of designing, constructing, operating, maintaining, repairing and replacing the water and
7 wastewater lines that connect the Delivery Points to the Phoenix Distribution Facilities. TreatCo
8 is not responsible for those costs.

9 3.3.2.3 Timetable.

10 Phoenix will cause the water or wastewater line that
11 connects a Delivery Point to the Phoenix Distribution Facilities to be constructed and operable
12 not later than the date on which the Delivery Point has been constructed and becomes operable.

13 3.3.3 Between Phoenix Distribution Facilities, the TreatCo-owned
14 Delivery Point and Phoenix Potable Water Treatment Facilities.

15 3.3.3.1 Creation.

16 Phoenix will design, construct, operate, maintain, repair
17 and replace (or cause to be designed, constructed, operated, maintained, repaired and replaced)
18 the water lines that connect the Phoenix Potable Water Treatment Facilities to (a) the TreatCo-
19 owned Delivery Point and (b) the Phoenix Distribution Facilities. The design and construction
20 of those lines must be such as will enable Phoenix to deliver Potable Water to TreatCo according
21 to the schedule and in the amounts described in Section 6.3. TreatCo is not obligated to design,
22 construct, operate, maintain, repair or replace those lines. The Parties acknowledge that it is
23 presently contemplated that (a) the Phoenix Potable Water Treatment Facilities' connection to

1 the TreatCo-owned Delivery Point will be completed prior to the connection to the Phoenix
2 Distribution Facilities, and (b) after the connection to the TreatCo-owned Delivery Point has
3 been completed, TreatCo will be physically capable of wheeling water as contemplated by
4 Section 5.1.1(b) because the TreatCo-owned Delivery Point will be connected to the TreatCo
5 System, which in turn will be connected to the Phoenix Distribution Facilities by means of the
6 TreatCo-to-Phoenix Delivery Point. A connection by means of the TreatCo System does not
7 constitute the connection described in clause (b) of the first sentence of this Section (i.e., the
8 obligation of Phoenix to establish a connection between the Phoenix Potable Water Treatment
9 Facilities and the Phoenix Distribution Facilities).

10 3.3.3.2 Cost.

11 Phoenix is solely responsible for paying (or causing the
12 payment of) the costs of designing, constructing, operating, maintaining, repairing and replacing
13 the water lines that connect both the Phoenix Distribution Facilities and the TreatCo-owned
14 Delivery Point to the Phoenix Potable Water Treatment Facilities. TreatCo is not responsible for
15 those costs.

16 3.3.3.3 Timetable.

17 Phoenix will cause the water lines that connect both the
18 Phoenix Distribution Facilities and the TreatCo-owned Delivery Point to the Phoenix Potable
19 Water Treatment Facilities to be constructed and operable not later than June 1, 2005.

20 3.4 Effect of Delays.

21 3.4.1 Delays by TreatCo.

22 If TreatCo fails to timely complete construction of and place in
23 operation the TreatCo-owned Delivery Point as provided in Section 3.2.4, that failure will be

1 deemed a Force Majeure event entitling Phoenix to defer its obligations to deliver water at that
2 Delivery Point until the TreatCo-owned Delivery Point has been constructed and placed in
3 operation.

4 3.4.2 Delays by Phoenix.

5 3.4.2.1 As to Non-Potable Water and Wastewater.

6 If Phoenix fails to timely complete construction of and
7 place in operation the Phoenix-to-TreatCo Wastewater Delivery Point, the TreatCo-to-Phoenix
8 Non-Potable Water Delivery Point, or a water or wastewater line that connects either of those
9 Delivery Points to the Phoenix Distribution Facilities as provided in Sections 3.2.4 and 3.3.2.3,
10 respectively, that failure will be deemed a Force Majeure event entitling TreatCo to defer its
11 obligations to receive or deliver Non-Potable Water or wastewater (as applicable) at that
12 Delivery Point until the Delivery Point or the interconnection line (as applicable) has been
13 constructed and placed in operation.

14 3.4.2.2 As to Potable Water.

15 3.4.2.2.1 Potable Water Deliverable by TreatCo.

16 If Phoenix fails to timely complete construction
17 of or place in operation the TreatCo-to-Phoenix Potable Water Delivery Point or the water line
18 that connects that Delivery Point to the Phoenix Distribution Facilities as provided in Sections
19 3.2.4 and 3.3.2.3, respectively, that failure will be deemed a Force Majeure Event entitling
20 TreatCo to defer its obligations to deliver water at that Delivery Point until the Delivery Point or
21 the interconnection line (as applicable) has been constructed and placed in operation.

1 ARTICLE IV

2 RETAIL POTABLE WATER SERVICES BY PHOENIX IN PHOENIX AREA

3 4.1 Retail Potable Water Service.

4 Phoenix will provide (and will have sole responsibility for providing)
5 Retail Potable Water Services to residents, businesses, schools and other persons, including
6 Phoenix itself, within the Phoenix Area. TreatCo has no responsibility for providing Retail
7 Potable Water Service in the Phoenix Area.

8 4.2 Authorizations.

9 Phoenix will at its own expense on a timely basis take all reasonable steps
10 necessary to obtain, maintain and renew any Authorizations necessary in connection with its
11 activities described in this Article. TreatCo will cooperate with (and affirmatively support)
12 Phoenix in obtaining any such Authorizations.

13 4.3 Billing of Customers.

14 Phoenix will bill (and will have sole responsibility for billing) its
15 customers for Retail Potable Water Services. The billing will be done in accordance with the
16 Phoenix City Code. TreatCo has no responsibility for that billing or for collection of amounts so
17 billed.

18 4.4 Code Compliance.

19 Phoenix will enforce all of the Phoenix City Code provisions applicable to
20 Retail Potable Water Service in the Phoenix Area.

1 4.5 Maintenance and Ownership.

2 Phoenix will be solely responsible for maintenance and ownership of all
3 public Potable Water lines located within public rights-of-way or easements within the Phoenix
4 Area.

1 ARTICLE V

2 WHOLESALE POTABLE WATER SERVICES BY TREATCO TO PHOENIX

3 5.1 Transfer of Potable Water.

4 5.1.1 Before Interconnection Between the Phoenix Potable Water
5 Treatment Facilities and the TreatCo-owned Delivery Point.

6 Until the Phoenix Potable Water Treatment Facilities are
7 connected to the TreatCo-owned Delivery Point as described in Section 3.3.3.1(a), TreatCo will
8 deliver Potable Water to Phoenix for resale. These deliveries will be in quantities and at flow
9 rates sufficient to meet the reasonable demands (including peak and fire flow demands) of the
10 customers of Phoenix described in the following sentence. Phoenix may use the Potable Water
11 only to provide Retail Potable Water Services in the following areas and for no other purpose: (a)
12 in the Phoenix Area as contemplated by Article IV, and (b) outside the Phoenix Area, if (and
13 only if) both (i) the Phoenix City Code requires Phoenix to extend Retail Potable Water Services
14 to a customer outside the Phoenix Area and (ii) that usage does not reduce the level of service
15 provided by Phoenix within the Phoenix Area or cause TreatCo to reduce the level of service
16 provided by TreatCo in the Project or elsewhere.

17 5.1.2 After Interconnection Between the Phoenix Potable Water
18 Treatment Facilities and the TreatCo-owned Delivery Point, but Before Interconnection Between
19 the Phoenix Potable Water Treatment Facilities and Phoenix Distribution Facilities.

20 During the period commencing with the connection of the Phoenix
21 Potable Water Treatment Facilities to the TreatCo-owned Delivery Point as described in Section
22 3.3.3.1(a) and ending with the connection of such Treatment Facilities to the Phoenix
23 Distribution Facilities as described in Section 3.3.3.1(b), TreatCo will, at the option of Phoenix,

1 either (a) deliver to Phoenix, for resale, Potable Water which was treated in the TreatCo System,
2 or (b) deliver to Phoenix ("wheel") Potable Water which was treated in the Phoenix Potable
3 Water Treatment Facilities and delivered by Phoenix to TreatCo at the TreatCo-owned Delivery
4 Point for such wheeling. The option of Phoenix is elected by Phoenix' notifying TreatCo from
5 time to time (no later than ten days before the first day of a month) of the alternative which is to
6 be applicable for that month and any specified subsequent months. The election may be
7 amended or withdrawn by Phoenix from time to time, as long as notice of the amendment or
8 withdrawal is made no later than ten days before the first day of the month for which Phoenix
9 desires the change to be effective. In the absence of Phoenix' timely election, Phoenix is deemed
10 to have elected the alternative described in clause (b) of the first sentence of this Section (i.e.,
11 wheeling). To the extent that the TreatCo-owned Delivery Point is being used simultaneously
12 for delivery of Potable Water by Phoenix to TreatCo both for wheeling to Phoenix under this
13 Article and for resale by TreatCo under Article VI, the Parties will devise a mutually agreeable
14 methodology for determining the amount of Potable Water delivered at that Delivery Point for
15 each purpose during each month. These deliveries will be in quantities and at flow rates
16 sufficient to meet the reasonable demands (including peak and fire flow demands) of the
17 customers of Phoenix described in the following sentence. Phoenix may use the Potable Water
18 only to provide Retail Potable Water Services in the following areas and for no other purpose:
19 (x) in the Phoenix Area as contemplated by Article IV, and (y) outside the Phoenix Area, if (and
20 only if) both (i) the Phoenix City Code requires Phoenix to extend Retail Potable Water Services
21 to a customer outside the Phoenix Area and (ii) that usage does not reduce the level of service
22 provided by Phoenix within the Phoenix Area or cause TreatCo to reduce the level of service
23 provided by TreatCo in the Project or elsewhere.

1 5.1.3 After Interconnection Between the Phoenix Potable Water
2 Treatment Facilities and Phoenix Distribution Facilities.

3 After the Phoenix Potable Water Treatment Facilities are
4 connected to the Phoenix Distribution Facilities as described in Section 3.3.3.1(b), this Article
5 will terminate. TreatCo will thereafter deliver Potable Water to Phoenix only if the Parties
6 mutually agree in writing (by amendment to this Agreement or by separate agreement) as to the
7 terms and conditions of those deliveries. The Parties acknowledge that any such subsequent
8 agreement will contain provisions to the effect that (a) Phoenix may use the Potable Water only
9 to provide Retail Potable Water Services in the Phoenix Area as contemplated by Article IV and
10 for no other purpose, (b) those deliveries will be made only for supplemental "emergency" (but
11 not "peak") purposes, and (c) since the occurrence, nature and extent of an emergency cannot be
12 foreseen, these deliveries will be in quantities that are subject to availability, and there can be no
13 assurance that the quantity delivered will be adequate for the emergency.

14 5.2 Point of Delivery.

15 The Potable Water will be delivered by TreatCo to Phoenix at the
16 TreatCo-to-Phoenix Potable Water Delivery Point. TreatCo will have no responsibility for the
17 Potable Water after the Potable Water has been delivered to the TreatCo-to-Phoenix Potable
18 Water Delivery Point.

19 5.3 Water Quality.

20 TreatCo makes no representations or warranties regarding the quality of
21 the Potable Water delivered to Phoenix under this Article, other than that (a) the quality of the
22 Potable Water delivered to Phoenix pursuant to this Article will be generally similar to the
23 quality of Potable Water that TreatCo delivers to DistCo for delivery to DistCo's retail

1 customers, and (b) the Potable Water delivered to Phoenix under this Article will meet all
2 applicable state and federal drinking water standards.

3 5.4 Calibration of Instruments.

4 5.4.1 General.

5 Phoenix will be responsible for calibration and preventive
6 maintenance of all metering, instrumentation and telemetry equipment required by TreatCo for
7 delivery of the Potable Water at the TreatCo-to-Phoenix Potable Water Delivery Point. All
8 necessary calibration will be performed by an independent contractor every year at Phoenix's
9 cost. TreatCo's Representative will be notified in advance and will be entitled to be present
10 during the calibration (but the calibration may be conducted in accordance with the notice even if
11 that Representative fails to appear).

12 5.4.2 Reconciliation.

13 Discrepancies greater than three percent (3%) that are discovered
14 during the calibration will be adjusted as follows:

15 a. One-half of the discrepancy percentage will be charged or
16 refunded for all Potable Water delivered between the date of the last calibration and the date the
17 discrepancy is discovered.

18 b. If the meter fails or stops recording, an estimate of the Potable
19 Water delivered during the months of failure will be prepared for billing purposes in accordance
20 with TreatCo's standard practice for such estimations. To avoid continued estimation, Phoenix
21 will act diligently in seeking to repair or replace the meter. In no event will the meter go
22 unrepaired or not replaced for more than three consecutive billing periods.

1 5.4.3 Payment for Instrumentation.

2 Phoenix will be responsible for connecting (or causing to be
3 connected) delivery meter output signals to TreatCo's electronic telemetry systems as directed by
4 TreatCo. Phoenix will pay all costs for equipment and labor necessary to connect such system to
5 TreatCo's standards and satisfaction.

6 5.4.4 Calibration Reports.

7 Phoenix will provide TreatCo with a copy of all preventive
8 maintenance and calibration contracts and with copies of calibration reports. This
9 documentation will be provided to Citizens Water Resources Company of Arizona, Attn:
10 Operations Manager, 15626 North Del Webb Boulevard, P.O. Box 1687, Sun City, Arizona
11 85372.

12 5.5 Estimate of Water Demand.

13 5.5.1 Periodic Estimates.

14 On or before November 1 of each year, Phoenix will provide
15 TreatCo with a written estimate of the amount of Potable Water that Phoenix may require
16 TreatCo to deliver in the following calendar year. The estimate will also set forth the estimated
17 amount for each month.

18 5.5.2 Meter Readings.

19 Meters will be read jointly by both Parties on a monthly basis for
20 billing purposes.

1 5.6 Service Connection.

2 5.6.1 Valves and Fittings.

3 The TreatCo-to-Phoenix Potable Water Delivery Point will contain
4 all necessary valves and fittings to ensure that:

5 a. The maximum amount of Potable Water delivered will not
6 exceed the Potable Water demand for the Phoenix Area.

7 b. No backflow will occur. Phoenix will install and maintain, to
8 the reasonable satisfaction of TreatCo, backflow prevention assemblies on the TreatCo-to-
9 Phoenix Potable Water Delivery Point. All such assemblies will be located on Phoenix's
10 property or on other public rights-of-way.

11 c. "Water hammers" (that is, circumstances in which valves open
12 or close too quickly) will be minimized.

13 5.6.2 Replacement.

14 If meters, gates or valves installed by Phoenix as required by this
15 Article become undersized, inoperative or inaccurate for the range flows through such facilities
16 based on applicable water engineering standards, Phoenix will at its expense replace such meters,
17 gates or valves as required by TreatCo.

18 5.6.3 Disinfection.

19 Phoenix will be required to provide any additional treatment
20 disinfection of the Potable Water entering the Phoenix Distribution Facilities to comply with the
21 requirements of the Safe Drinking Water Act. Any such treatment disinfection facilities will be
22 located on Phoenix's property.

1 5.7 No Loan or Exchange.

2 This Article does not provide or authorize any loaning or exchange of
3 Potable Water of any type to Phoenix by TreatCo (other than Potable Water to be delivered by
4 TreatCo pursuant to of this Article). Phoenix will order and take from TreatCo only the amount
5 of Potable Water provided for herein. If the amount of Potable Water delivered to Phoenix
6 pursuant to this Article exceeds the maximum amount permitted in this Article in any calendar
7 year, Phoenix will immediately cease use of the TreatCo-to-Phoenix Water Delivery Point and
8 make arrangements satisfactory to TreatCo to restore to TreatCo such excessive Potable Water
9 use within 30 days. TreatCo may immediately, without further notice to Phoenix, discontinue
10 delivery of Potable Water to Phoenix upon a reasonable good faith determination by TreatCo that
11 Phoenix has exceeded the amount permitted by this Article, until such time as Phoenix has so
12 restored to TreatCo such excessive Potable Water used.

13 5.8 Storage and Pressure.

14 TreatCo makes no warranties or covenants that it is providing storage or
15 pressure capacity to Phoenix, except that TreatCo will provide the Potable Water to Phoenix at
16 the TreatCo-to-Phoenix Delivery Point at the pressures indicated in the approved June, 2000,
17 Anthem/Phoenix Master Plan Addendum as approved by Phoenix. Inside the Phoenix Area, and
18 except as provided in the preceding sentence, Phoenix will be solely responsible for its own
19 delivery infrastructure, including storage and pumping capacity for maintaining adequate
20 pressure.

21 5.9 Transmission and Treatment Losses.

22 TreatCo will determine the amount of losses occurring in the treatment
23 and transportation of Potable Water to the TreatCo-to-Phoenix Water Delivery Point. Unless the

1 Parties mutually agree otherwise in writing, the determination will be made in accordance with
2 the percentage of losses reported by TreatCo to ADWR each year (or, in the absence of such
3 reports, the percentage derived from another reasonable methodology). Notwithstanding the
4 foregoing, the percentage of losses will not exceed ten percent (10%). The losses will increase
5 the amount of Potable Water deemed to have been delivered by TreatCo to Phoenix at the
6 TreatCo-to-Phoenix Potable Water Delivery Point and will be accounted for as an additional
7 amount (i.e., added to the meter reading at the TreatCo-to-Phoenix Potable Water Delivery
8 Point).

9 5.10 Shut Downs.

10 TreatCo will have the right to suspend the delivery of Potable Water
11 pursuant to this Article for an emergency or for purposes of routine maintenance and repair.
12 TreatCo will provide (a) 30-days' prior written notice of any suspension for routine maintenance
13 and repair, and (b) such prior written notice as may be practicable of any suspension for an
14 emergency. TreatCo will not be liable to Phoenix, to any customer of Phoenix or to any other
15 person for any claim, demand, loss or damage of any nature or character whatsoever due to, or
16 arising out of, any suspension of delivery of Potable Water pursuant to this Article for an
17 emergency or for purposes of routine maintenance and repair.

18 5.11 Phoenix Distribution.

19 TreatCo's obligation to Phoenix under this Article will terminate at the
20 TreatCo-to-Phoenix Potable Water Delivery Point. Phoenix is responsible, and assumes full
21 liability, for the distribution of Potable Water received at the TreatCo-to-Phoenix Potable Water
22 Delivery Point and for all operation and maintenance costs for delivery to Phoenix's users.
23 Phoenix will indemnify, defend and hold TreatCo harmless from and against all expense,

1 liability and claims for damage to property or for injury to or death of any persons arising out of
2 or in any way connected with the distribution, nondistribution or quality of Potable Water once
3 such water is delivered to the TreatCo-to-Phoenix Potable Water Delivery Point. Except as
4 permitted by Section 5.1.1, Potable Water delivered by TreatCo to Phoenix pursuant to this
5 Article will be distributed by Phoenix only to locations within the Phoenix Area for end use
6 within the Phoenix Area.

7 5.12 Rate for Wholesale/Wheeling Water Service.

8 5.12.1 Rate for Wholesale Water Service.

9 In consideration of TreatCo agreeing to deliver Potable Water to
10 Phoenix for resale as described in Section 5.1.1 or 5.1.2(a) pursuant to this Article, Phoenix will
11 pay TreatCo for Potable Water delivered to the TreatCo-to-Phoenix Potable Water Delivery
12 Point at a wholesale Potable Water delivery rate determined as follows:

13 a. The wholesale Potable Water delivery rate will be \$2.32 per
14 one thousand gallons of Potable Water delivered, less TreatCo's then applicable raw water
15 charges per one thousand gallons of Ak Chin Water.

16 b. The Parties acknowledge that the rate described in paragraph
17 (a) may be altered from time to time by the Commission with or without the consent of TreatCo.
18 TreatCo will have the right to request changes in such rate from time to time, but those requested
19 changes must be based on changes in the actual costs paid or incurred by TreatCo with respect to
20 providing the services pursuant to this Article.

21 5.12.2 Rate for Wheeling Water Service.

22 In consideration of TreatCo agreeing to deliver Potable Water to
23 Phoenix by providing wheeling services as described in Section 5.1.2(b) pursuant to this Article,

1 Phoenix will pay TreatCo for Potable Water delivered to the TreatCo-to-Phoenix Potable Water
2 Delivery Point at a wheeling Potable Water delivery rate as determined as follows:

3 a. The wheeling Potable Water delivery rate will be \$0.30 per one
4 thousand gallons of Potable Water delivered.

5 b. The Parties acknowledge that the rate described in paragraph
6 (a) may be altered from time to time by the Commission with or without the consent of TreatCo.
7 TreatCo will have the right to request changes in such rate from time to time, but those requested
8 changes must be based on changes in the actual costs paid or incurred by TreatCo with respect to
9 providing the services pursuant to this Article.

10 5.13 Monthly Water Bill.

11 5.13.1 Terms.

12 TreatCo will monthly prepare and send to Phoenix a billing invoice
13 for Potable Water delivered to Phoenix pursuant to this Article during the preceding month.
14 Monthly bills will be due and payable by Phoenix within 30 days after the billing invoice date
15 printed on the billing invoice.

16 5.13.2 Disputed Bill.

17 If Phoenix disputes any portion of any bill, Phoenix will pay the
18 disputed amount under protest when due and include with its payment a written statement
19 indicating the basis for the protest. If the protest is found to be valid, TreatCo will refund to
20 Phoenix any overpayment within 30 days after that finding.

21 5.13.3 Delinquent Bill.

22 If any bill is not paid within 30 days after receipt of written
23 notification of the delinquency, TreatCo will have the right, without liability of any kind, to

1 suspend the delivery of Potable Water pursuant to this Article, and to refuse such services as
2 long as the said amount remains unpaid. Nothing in this Section will limit the rights of TreatCo
3 to use any other available legal remedy to effect collection of said amount.

4 5.14 Term of Article; Discontinuance of Delivery.

5 5.14.1 Term.

6 This Article will be for an initial term of 10 years, unless
7 terminated earlier as provided in Section 5.1.2.

8 5.14.2 Disconnection.

9 Phoenix will disconnect (also known as "valve off") or otherwise
10 sever the TreatCo-to-Phoenix Potable Water Delivery Point, and TreatCo will be entitled to
11 discontinue delivery of Potable Water to such Delivery Point, within 30 days of the occurrence
12 of the following:

13 a. Expiration of the term of this Article or other termination of
14 this Article as provided in Section 5.14.1.

15 b. Breach of any of the obligations of Phoenix set forth in this
16 Article which have not been expressly waived in writing by TreatCo.

17 c. The occurrence of a condition for disconnecting ("valving
18 off") or otherwise severing the Delivery Point as described in this Article.

19 5.14.3 Conditions for Disconnection.

20 Phoenix at its sole expense will design and construct all facilities
21 necessary to disconnect the TreatCo-to-Phoenix Water Delivery Point. Phoenix and TreatCo
22 may mutually agree to arrangements to allow those facilities and the Delivery Point to remain in
23 place. Any work performed on the TreatCo System by Phoenix's contractor will be done in a

1 satisfactory and workmanlike manner and in accordance with plans and specifications approved
2 by TreatCo. Phoenix will not permit work to be done by its contractor until said plans and
3 specifications have been approved by TreatCo. The plans and specifications will include a right
4 by TreatCo to inspect the work of Phoenix's contractors.

5 5.15 Approvals Required by Law.

6 Phoenix and TreatCo will cooperate in seeking any approvals or permits
7 required by applicable law to effectuate the delivery of Potable Water pursuant to this Article. If
8 any such approval cannot be obtained, then Phoenix and TreatCo will be relieved of their
9 respective obligations set forth in this Article (but the Parties will not thereby be relieved of their
10 respective obligations under Section 1.3.2). As between Phoenix and TreatCo, Phoenix will
11 take the initiative and use its reasonable best efforts in seeking any approvals or permits required
12 by applicable law to effectuate the delivery of Potable Water pursuant to this Article that would
13 not be required to be obtained but for this Article.

14 5.16 Provisions Regarding CAWCD.

15 5.16.1 CAWCD Approval.

16 Phoenix will obtain and provide to TreatCo written documentation
17 evidencing the consent of CAWCD that (a) the Phoenix Water Supply can be diverted by
18 TreatCo into TreatCo System for delivery to Phoenix pursuant to this Article, and (b) all water
19 delivered by TreatCo to Phoenix under this Article will be charged to the Phoenix Water Supply
20 accounts pursuant to those CAWCD/CAP Agreements.

1 5.16.2 Phoenix Supply Diversion.

2 TreatCo will be under no obligation to deliver Potable Water to
3 Phoenix pursuant to this Article unless and until Phoenix has provided to TreatCo the consent
4 documentation described in Section 5.16.1. Phoenix will comply with the terms of that consent.

5 5.16.3 Water Accounting.

6 Phoenix will indemnify and hold harmless TreatCo from any costs
7 that may be charged against the TreatCo Water Supply in delivering Potable Water to Phoenix
8 pursuant to this Article during any water accounting year.

9 5.16.4 Payment of Charges; Limit on Amount of Water.

10 Phoenix will pay (and will indemnify and hold harmless TreatCo
11 from and against) any and all assessments, fees or other charges that the CAWCD or the United
12 States may impose or otherwise require under any CAWCD/CAP Agreement to which Phoenix
13 is a party in connection with the delivery of Potable Water pursuant to this Article. The amount
14 of Potable Water that Phoenix has the right to receive pursuant to this Article will not exceed the
15 amount of CAP Water that Phoenix has the right to receive pursuant to any such CAWCD/CAP
16 Agreement. Phoenix will monitor (or cause the CAWCD and the United States to monitor)
17 Phoenix's total usage of CAP Water and inform TreatCo if delivery of further Potable Water
18 pursuant to this Article will exceed that limit.

19 5.16.5 Phoenix Reporting.

20 Phoenix will carry out any reporting procedure required by the
21 CAWCD and the United States to ensure proper accounting of the Potable Water delivered
22 pursuant to this Article.

1 ARTICLE VI

2 SUPPLEMENTAL "PEAK" AND "EMERGENCY" POTABLE WATER

3 SUPPLY SERVICES BY PHOENIX TO TREATCO

4 6.1 Transfer of Potable Water After Interconnection.

5 6.1.1 Before June 1, 2005.

6 If prior to June 1, 2005 Developer, with the approval of Phoenix,
7 constructs and places in service a water line (having a size and location as determined by
8 Phoenix) that connects the Phoenix Potable Water Treatment Facilities to the TreatCo System
9 (the "Anthem Interconnect Water Line"), then Phoenix will deliver Potable Water to TreatCo in
10 an amount not to exceed one million gallons per day (1.0 MGD) for resale if (and only if):

11 a. The Potable Water is to be used only as an emergency backup
12 supply.

13 b. The Potable Water is available, after first taking into account
14 the immediate needs of Phoenix and its Potable Water customers.

15 c. A water line and a storage tank have been constructed by other
16 developers, with the water line connecting the Phoenix Potable Water Treatment Facilities to a
17 Carefree Highway location prior to June 1, 2002.

18 d. Developer has installed at a location to be determined by
19 Phoenix a flow control valve that will limit the maximum amount available for delivery by
20 Phoenix to TreatCo to one million gallons per day (1.0 MGD).

21 e. Developer has oversized the Anthem Interconnect Water Line
22 as requested by Phoenix (which oversizing is to be accomplished at Developer's expense), with
23 Phoenix to be the owner and operator of the Anthem Interconnect Water Line.

1 6.1.2 After June 1, 2005.

2 On and after June 1, 2005, Phoenix will deliver Potable Water to
3 TreatCo for resale. TreatCo may use the Potable Water only to provide Potable Water to DistCo
4 for use as contemplated by the Infrastructure Agreement and for no other purpose. These
5 deliveries will be in quantities and at flow rates set forth in Section 6.3. If the necessary
6 connections have been constructed and placed in operation prior to June 1, 2005, the Parties may
7 (but are not obligated to) mutually agree on an earlier date for commencement of deliveries.

8 6.2 Point of Delivery.

9 The Potable Water will be delivered by Phoenix to TreatCo at the
10 Phoenix-to-TreatCo Potable Water Delivery Point. The connection will be 16 inches in diameter.
11 The connection will include such flow control valves as are necessary in the reasonable judgment
12 of Phoenix to regulate the flow so as to achieve the amounts described in Section 6.3. That point
13 will not be the same as the TreatCo-to-Phoenix Potable Water Delivery Point. Phoenix will have
14 no responsibility for the Potable Water after the Potable Water has been delivered to the
15 Phoenix-to-TreatCo Potable Water Delivery Point.

16 6.3 Delivery Amounts.

17 From June 1, 2005 until June 1, 2006 (the "2005-2006 Period"), the
18 amount of "peak" and "emergency" Potable Water delivered pursuant to this Article will not
19 exceed one million gallons per day (1.0 MGD). After June 1, 2006, the amount of such Potable
20 Water delivered pursuant to this Article will not exceed five million gallons per day (5.0 MGD).
21 During the 2005-2006 Period, the average daily amount of such Potable Water delivered during a
22 calendar year will not exceed one-half million gallons per day (0.5 MGD). During the 2005-
23 2006 Period, such Potable Water will be available on demand at a flow rate of not less than (and

1 not greater than) one million gallons per day (1.0 MGD). After June 1, 2006, the average daily
2 amount of such Potable Water delivered during a calendar year will not exceed two and one-half
3 million gallons per day (2.5 MGD). After June 1, 2006, such Potable Water will be available on
4 demand at a flow rate of not less than (and not greater than) five million gallons (5.0 MGD).

5 6.4 Water Quality.

6 Phoenix makes no representations or warranties regarding the quality of
7 the Potable Water delivered to TreatCo under this Article, other than that (a) the quality of the
8 Potable Water delivered to TreatCo pursuant to this Article will be generally similar to the
9 quality of Potable Water that Phoenix delivers within its municipal water system to Phoenix's
10 retail customers, and (b) the Potable Water delivered to TreatCo under this Article will meet all
11 applicable state and federal drinking water standards.

12 6.5 Calibration of Instrumentation.

13 6.5.1 General.

14 TreatCo will be responsible for calibration and preventive
15 maintenance of all metering, instrumentation and telemetry equipment required by Phoenix for
16 delivery of the Potable Water at the Phoenix-to-TreatCo Potable Water Delivery Point. All
17 necessary calibration will be performed by an independent contractor every year at TreatCo's
18 cost. Phoenix's Representative will be notified in advance and will be entitled to be present
19 during the calibration (but the calibration may be conducted in accordance with the notice even if
20 that Representative fails to appear).

21 6.5.2 Reconciliation.

22 Discrepancies greater than three percent (3%) that are discovered
23 during the calibration will be adjusted as follows:

1 a. One-half of the discrepancy percentage will be charged or
2 refunded for all Potable Water delivered between the date of the last calibration and the date the
3 discrepancy is discovered.

4 b. If the meter fails or stops recording, an estimate of the
5 Potable Water delivered during the months of failure will be prepared for billing purposes in
6 accordance with Phoenix's standard practice for such estimations. To avoid continued
7 estimation, TreatCo will act diligently in seeking to repair or replace the meter. In no event will
8 the meter go unrepaired or not replaced for more than three consecutive billing periods.

9 6.5.3 Payment for Instrumentation.

10 TreatCo will be responsible for connecting (or causing to be
11 connected) delivery meter output signals to Phoenix's SCADA systems. TreatCo will pay all
12 reasonable costs for equipment and labor necessary to connect such system to Phoenix's
13 standards and reasonable good faith satisfaction.

14 6.5.4 Calibration Reports.

15 TreatCo will provide Phoenix with a copy of all preventive
16 maintenance and calibration contracts and with copies of calibration reports. This
17 documentation will be addressed to Water Production Division, City of Phoenix, 5204 East
18 Thomas Road, Phoenix, Arizona 85018.

19 6.6 Estimate of Water Demand.

20 6.6.1 Periodic Estimates.

21 On or before November 1 of each year, TreatCo will provide
22 Phoenix with a written estimate of the amount of supplemental "peak" and "emergency" Potable

1 Water that TreatCo may require Phoenix to deliver in the following calendar year. The estimate
2 will also set forth the estimated amount for each month.

3 6.6.2 Meter Readings.

4 Meters will be read jointly by both Parties on a monthly basis for
5 billing purposes.

6 6.7 Service Connection.

7 6.7.1 Valves and Fittings.

8 The Phoenix-to-TreatCo Potable Water Delivery Point will contain
9 all necessary valves and fittings to ensure that:

10 a. The maximum amount of Potable Water delivered will not exceed
11 five million gallons per day (5.0 MGD).

12 b. No backflow will occur. TreatCo will install and maintain, to the
13 reasonable good faith satisfaction of Phoenix, backflow prevention assemblies on the Phoenix-
14 to-TreatCo Potable Water Delivery Point. All such assemblies will be located on TreatCo's
15 property or easement.

16 c. "Water hammers" (that is, circumstances in which valves open or
17 close too quickly) will be minimized.

18 6.7.2 Replacement.

19 If meters, gates or valves installed by TreatCo as required by this
20 Article become undersized, inoperative or inaccurate for the range of flows through such
21 facilities based on applicable water engineering standards, TreatCo will at its expense replace
22 such meters, gates or valves as required by Phoenix.

1 6.7.3 Disinfection.

2 TreatCo will be required to provide any additional treatment
3 disinfection of the Potable Water entering the TreatCo System to comply with the requirements
4 of the Safe Drinking Water Act. Any such treatment disinfection facilities will be located on
5 TreatCo's property.

6 6.8 No Loan or Exchange.

7 This Article does not provide or authorize any loaning or exchange of
8 Potable Water of any type to TreatCo by Phoenix (other than Potable Water to be delivered by
9 Phoenix pursuant to this Article). TreatCo will order and take from Phoenix only the amount of
10 Potable Water provided for herein. If the amount of Potable Water delivered to TreatCo
11 pursuant to this Article exceeds the maximum amount permitted in this Article in any calendar
12 year, TreatCo will immediately cease use of the Phoenix-to-TreatCo Potable Water Delivery
13 Point and make arrangements reasonably satisfactory to Phoenix to restore to Phoenix such
14 excessive Potable Water use within 30 days. Phoenix may immediately, without further notice to
15 TreatCo, discontinue delivery of Potable Water to TreatCo upon a reasonable good faith
16 determination by Phoenix that TreatCo has exceeded the amount permitted by this Article, until
17 such time as TreatCo has so restored to Phoenix such excessive Potable Water used.

18 6.9 Storage and Pressure.

19 Phoenix makes no warranties or covenants that it is providing storage or
20 pressure capacity to TreatCo, except that Phoenix will provide the Potable Water to TreatCo at
21 the Phoenix-to-TreatCo Delivery Point at a pressure that is not less than the pressure necessary
22 and appropriate to enable the Potable Water to be discharged into the ground storage tanks of the
23 TreatCo System by means of a sixteen (16) inch interconnection water line extending from the

1 Phoenix-to-TreatCo Delivery Point to those storage tanks. Inside the County Area, and except as
2 provided in the preceding sentence, TreatCo will be solely responsible for its own delivery
3 infrastructure, including storage and pumping capacity for peaking and fire flows.

4 6.10 Transmission and Treatment Losses.

5 Phoenix will determine the amount of losses occurring in the treatment
6 and transportation of Potable Water within the Phoenix Area to the Phoenix-to-TreatCo Potable
7 Water Delivery Point. Unless the Parties mutually agree otherwise in writing, the determination
8 will be made in accordance with the percentage of losses reported by Phoenix to ADWR each
9 year (or, in the absence of such reports, the percentage derived from another reasonable
10 methodology). Notwithstanding the foregoing, the percentage of losses will not exceed ten
11 percent (10%). The losses will increase the amount of Potable Water deemed to have been
12 delivered by Phoenix to TreatCo at the Phoenix-to-TreatCo Potable Water Delivery Point and
13 will be accounted for as an additional amount (i.e., added to the meter reading at the Phoenix-to-
14 TreatCo Potable Water Delivery Point).

15 6.11 Shut Downs.

16 Phoenix will have the right to suspend the delivery of Potable Water
17 pursuant to this Article for an emergency or for purposes of routine maintenance and repair.
18 Phoenix will provide (a) 30-days' prior written notice of any suspension for routine maintenance
19 and repair, and (b) such prior written notice as may be practicable of any suspension for an
20 emergency. Phoenix will not be liable to TreatCo, to any customer of TreatCo or to any other
21 person for any claim, demand, loss or damage of any nature or character whatsoever due to, or
22 arising out of any suspension of delivery of Potable Water pursuant to this Article for an
23 emergency or for purposes of routine maintenance and repair.

1 6.12 TreatCo Distribution.

2 Phoenix's obligation to TreatCo under this Article will terminate at the
3 Phoenix-to-TreatCo Potable Water Delivery Point. TreatCo will be responsible, and assumes
4 full liability, for the distribution of Potable Water received at the Phoenix-to-TreatCo Potable
5 Water Delivery Point and for all operation and maintenance costs for delivery to TreatCo's users.
6 TreatCo will indemnify, defend and hold Phoenix harmless from and against all expense,
7 liability and claims for damage to property or for injury to or death of any persons arising out of
8 or in any way connected with the distribution, nondistribution or quality of the delivered Potable
9 Water once such water is delivered to the Phoenix-to-TreatCo Potable Water Delivery Point.
10 Except as specifically otherwise provided herein or in the Infrastructure Agreement, Potable
11 Water delivered by Phoenix to TreatCo pursuant to this Article will be distributed by TreatCo
12 only to locations within the Project, excluding the Phoenix Area, for end use in such area.

13 6.13 Rate for Wholesale Water Service.

14 In consideration of Phoenix agreeing to deliver Potable Water pursuant to
15 this Article, TreatCo will pay Phoenix for Potable Water delivered to the Phoenix-to-TreatCo
16 Potable Water Delivery Point at a wholesale Potable Water delivery rate determined as follows:

- 17 a. The initial wholesale water delivery rate will be seventy-five and
18 one-tenth percent (75.1%) of Phoenix's then applicable combined (i) total "commodity" water
19 rate for the spring and fall seasons as set forth in Section 37-63(b) of the Phoenix City Code and
20 (ii) water environmental rate for residential users as set forth in Section 27-133(a) of the Phoenix
21 City Code (which combined rate is presently \$1.32 per hundred cubic feet).

1 b. Since the Phoenix City Code states the water rate and water
2 environmental rate in terms of a rate per hundred cubic feet, an appropriate conversion factor
3 will be used to convert the rate per hundred cubic feet to a rate per thousand gallons.

4 c. The Parties acknowledge that the rate described in paragraph (a)
5 may be altered from time to time by the City Council of Phoenix. Phoenix will have the right to
6 request its City Council to change such rate from time to time or adopt a separate wholesale rate
7 for water delivered to TreatCo (in which event, paragraph (a) will not apply), but any such
8 requested changes must be based on changes in the actual costs paid or incurred by Phoenix in
9 providing the services pursuant to this Article.

10 6.14 Monthly Water Bill.

11 6.14.1 Terms.

12 Phoenix will monthly prepare and send to TreatCo a billing invoice
13 for Potable Water delivered to TreatCo pursuant to this Article during the preceding month.
14 Monthly bills will be paid within 30 days of the billing invoice date printed on the billing
15 invoice.

16 6.14.2 Disputed Bill.

17 If TreatCo disputes any portion of any bill, TreatCo will pay the
18 disputed amount under protest when due and include with its payment a written statement
19 indicating the basis for the protest. If the protest is found to be valid, Phoenix will refund to
20 TreatCo any overpayment within 30 days after the finding.

21 6.14.3 Delinquent Bill.

22 If any bill is not paid within 30 days after receipt of written
23 notification of the delinquency, Phoenix will have the right, without liability of any kind, to

1 suspend the delivery of Potable Water pursuant to this Article as long as the said amount remains
2 unpaid. Nothing in this Section will limit the rights of Phoenix to use any other available legal
3 remedy to effect collection of said amount.

4 6.15 Term of Article; Discontinuance of Delivery.

5 6.15.1 Term and Termination.

6 6.15.1.1 Term.

7 This Article will be for an initial term of 25 years, and may
8 be renewed by TreatCo for a subsequent additional 25-year term.

9 6.15.1.2 Termination.

10 Within the second 25-year term, either Party may terminate
11 this Article prior to the end of such 25-year term if the terminating Party gives five-years' prior
12 written notice of such termination to the other Party. Upon such notice being given, this Article
13 will terminate five years from the date of delivery of such notice to the other Party. This Article
14 may also be terminated at any time if both Parties agree that it is mutually beneficial to terminate
15 this Article.

16 6.15.2 Disconnection.

17 TreatCo will disconnect (also known as "valve off") or otherwise
18 sever the Phoenix-to-TreatCo Potable Water Delivery Point, and Phoenix will be entitled to
19 discontinue delivery of Potable Water to such Delivery Point, within 30 days of the occurrence
20 of the following:

- 21 a. Expiration of the term of this Article or other termination of
22 this Article as provided in Section 6.15.1.

1 b. Breach of any of the obligations of TreatCo set forth in this
2 Article which have not been expressly waived in writing by Phoenix.

3 c. The occurrence of a condition for disconnecting ("valving
4 off") or otherwise severing the Delivery Point as described in this Article.

5 6.15.3 Conditions for Disconnection.

6 TreatCo at its sole expense will design and construct all facilities
7 necessary to disconnect the Phoenix-to-TreatCo Potable Water Delivery Point. Phoenix and
8 TreatCo may mutually agree to arrangements to allow those facilities and the Delivery Point to
9 remain in place. Any work performed on the Phoenix Distribution Facilities by TreatCo's
10 contractor will be done in a satisfactory and workmanlike manner and in accordance with plans
11 and specifications approved by Phoenix. TreatCo will not permit work to be done by its
12 contractor until said plans and specifications have been approved by Phoenix. The plans and
13 specifications will include a right by Phoenix to inspect the work of TreatCo's contractors.

14 6.16 Approvals Required by Law.

15 Phoenix and TreatCo will cooperate in seeking any approvals or permits
16 required by applicable law to effectuate the delivery of Potable Water pursuant to this Article. If
17 any such approval cannot be obtained, then Phoenix and TreatCo will be relieved of their
18 respective obligations set forth in this Article. As between Phoenix and TreatCo, TreatCo will
19 take the initiative in seeking any approvals or permits required by applicable law to effectuate
20 the delivery of Potable Water pursuant to this Article that would not be required to be obtained
21 by Phoenix but for this Article.

1 6.17 Provisions Regarding CAWCD.

2 6.17.1 CAWCD Approval.

3 TreatCo will obtain and provide to Phoenix written documentation
4 evidencing the consent of CAWCD that (a) the TreatCo Water Supply can be diverted by
5 Phoenix into the Phoenix Treatment Facilities and the Phoenix Distribution Facilities for delivery
6 to TreatCo pursuant to this Article, and (b) all water delivered by Phoenix to TreatCo under this
7 Article will be charged to the TreatCo Water Supply accounts pursuant to those CAWCD/CAP
8 Agreements.

9 6.17.2 TreatCo Supply Diversion.

10 Phoenix will be under no obligation to deliver Potable Water to
11 TreatCo pursuant to this Article unless and until TreatCo has provided to Phoenix the consent
12 documentation described in Section 6.17.1. TreatCo will comply with the terms of that consent.

13 6.17.3 Water Accounting.

14 TreatCo will indemnify and hold harmless Phoenix from any costs
15 that may be charged against the Phoenix Water Supply in delivering Potable Water pursuant to
16 this Article during any water accounting year.

17 6.17.4 Payment of Charges; Limits on Amount of Water.

18 TreatCo will pay (and will indemnify and hold harmless Phoenix
19 from any against) any and all assessments, fees or other charges that the CAWCD or the United
20 States may impose or otherwise require under any CAWCD/CAP Agreement to which TreatCo
21 is a party in connection with the delivery of Potable Water pursuant to this Article. The amount
22 of Potable Water that TreatCo has the right to receive pursuant to this Article will not exceed the
23 amount of CAP Water that TreatCo has the right to receive pursuant to any such CAWCD/CAP

1 Agreement. TreatCo will monitor (or cause the CAWCD and the United States to monitor)
2 TreatCo's total usage of CAP Water and inform Phoenix if delivery of further Potable Water
3 pursuant to this Article will exceed that limit.

4 6.17.5 TreatCo Reporting.

5 TreatCo will carry out any reporting procedure required by the
6 CAWCD and the United States to ensure proper accounting of the Potable Water delivered
7 pursuant to this Article.

1 ARTICLE VII

2 RETAIL WASTEWATER SERVICES BY PHOENIX IN PHOENIX AREA

3 7.1 Retail Wastewater Services.

4 Phoenix will provide (and will have sole responsibility for providing)
5 Retail Wastewater Services to residents, businesses, schools and other persons, including
6 Phoenix itself, within the Phoenix. TreatCo has no responsibility for providing Retail
7 Wastewater Services in the Phoenix Area.

8 7.2 Authorizations.

9 Phoenix will at its own expense on a timely basis take all reasonable steps
10 necessary to obtain, maintain and renew any Authorizations necessary in connection with its
11 activities described in this Article. TreatCo will cooperate with (and affirmatively support)
12 Phoenix in obtaining any such authorizations.

13 7.3 Billing of Customers.

14 Phoenix will (and will have sole responsibility for billing) its customers
15 for Retail Wastewater Services. The billing will be done in accordance with the Phoenix City
16 Code. TreatCo has no responsibility for that billing or for collection of amounts so billed.

17 7.4 Code Compliance; Pretreatment Requirements.

18 Phoenix will enforce all of the Phoenix City Code provisions applicable to
19 Retail Wastewater Service in the Phoenix Area, including all applicable treatment provisions of
20 the Phoenix City Code and pretreatment program.

1 7.5 Maintenance and Ownership.

2 Phoenix will be solely responsible for maintenance and ownership of all
3 public Wastewater lines located within public rights-of-way or easements within the Phoenix
4 Area.

1 ARTICLE VIII

2 WHOLESALE WASTEWATER SERVICES BY TREATCO TO PHOENIX

3 8.1 Acknowledgments.

4 The Parties acknowledge that Phoenix cannot presently provide wholesale
5 sewer service to the Phoenix Area because, among other things, the existing Wastewater system
6 of Phoenix does not presently connect with the Wastewater collection system to be constructed
7 in the Phoenix Area. The Parties further acknowledge that TreatCo can provide Wholesale
8 Wastewater Services to Phoenix for the benefit of the Phoenix Area. The Parties further
9 acknowledge that, at some future date, Phoenix may be able to provide Wholesale Wastewater
10 Services to the Phoenix Area.

11 8.2 Wholesale Wastewater Services; Transfer of Wastewater.

12 During the term of (and as provided in) this Article, TreatCo will provide
13 Wholesale Wastewater Services to Phoenix for Wastewater flows that TreatCo received from
14 Phoenix, and, in furtherance thereof, Phoenix will collect, deliver and transfer to TreatCo all
15 Wastewater generated in the Phoenix Area. Notwithstanding the foregoing, the amount of
16 Wastewater delivered and transferred pursuant to this Article will not exceed nine hundred
17 thousand gallons per day (.90 MGD) measured as a peak-month average.

18 8.3 Point of Delivery.

19 The Wastewater will be delivered by Phoenix to TreatCo at the Phoenix-
20 to-TreatCo Wastewater Delivery Point. Phoenix will have no responsibility for (or any right,
21 title, interest or claim in or to) the Wastewater after the Wastewater has been delivered to the
22 Phoenix-to-TreatCo Wastewater Delivery Point.

1 8.4 Effluent and Related Credits.

2 All effluent and related credits associated with the treatment of the
3 Wastewater will belong to TreatCo.

4 8.5 Rate for Wholesale Wastewater Service.

5 8.5.1 Rate.

6 In consideration of TreatCo agreeing to provide Wholesale
7 Wastewater Service pursuant to this Article, Phoenix will pay TreatCo for Wastewater delivered
8 to the Phoenix-to-TreatCo Wastewater Delivery Point at a Wholesale Wastewater Service rate
9 determined as follows:

10 a. The initial Wholesale Wastewater Services rate will be \$2.32
11 per one thousand gallons of Potable Water delivered by TreatCo to Phoenix at the TreatCo-to-
12 Phoenix Potable Water Delivery Point.

13 b. If and when Potable Water Service from TreatCo to Phoenix
14 under this Agreement is discontinued, the rate pursuant to this Section will converted to a
15 Wastewater metered rate as mutually agreed by the Parties.

16 c. The Parties acknowledge that the rate described in paragraph
17 (a) may be altered from time to time by the Commission with or without the consent of TreatCo.
18 TreatCo will have the right to request changes in such rate from time to time, but those requested
19 changes must be based on changes in the actual costs paid or incurred by TreatCo with respect to
20 providing the services pursuant to this Article.

21 8.5.2 Termination Right if Rate Exceeds Benchmark.

22 If TreatCo's Wholesale Wastewater Service rate increases in any
23 one calendar year by an amount that, when expressed as a percentage and combined with the

1 cumulative annual percentage increases in that rate during the term of this Agreement, exceeds
2 the cumulative annual percentage increases for that calendar year and all preceding calendar
3 years (or portion thereof) during the term of this Agreement in the United States Department of
4 Labor's Bureau of Labor Statistics Consumer Price Index for All Urban Consumers (CPI-U), All
5 Items, Western United States (2000 equals 100) (or, if necessary or applicable, the successor of
6 such Consumer Price Index or a reasonable substitute therefor), Phoenix will have the right (but
7 not the obligation) to disconnect (also known as "valve off") or otherwise sever the Phoenix-to-
8 TreatCo Wastewater Delivery Point within thirty (30) days after the end of that calendar year and
9 terminate this Article as provided in Section 8.7.2(d).

10 8.6 Monthly Wastewater Bill.

11 8.6.1 Terms.

12 TreatCo will monthly prepare and send to Phoenix a billing invoice
13 for the amount of Wastewater received by TreatCo during the preceding month. Monthly bills
14 will be due and payable by Phoenix within 30 days after the billing invoice date printed on the
15 billing invoice.

16 8.6.2 Disputed Bill.

17 If Phoenix disputes any portion of any bill, Phoenix will pay the
18 disputed amount under protest when due and include with its payment a written statement
19 indicating the basis for the protest. If the protest is found to be valid, TreatCo will refund to
20 Phoenix any overpayment within 30 days after that finding.

21 8.6.3 Delinquent Bill.

22 If any bill is not paid within 30 days after receipt of written
23 notification of the delinquency, TreatCo will have the right, without liability of any kind, to

1 suspend acceptance of Wastewater pursuant to this Article as long as the said amount remains
2 unpaid. Nothing in this Section will limit the rights of TreatCo to use any other available legal
3 remedy to effect collection of said amount.

4 8.7 Term and Termination.

5 8.7.1 Term.

6 This Article will be for a term of 30 years.

7 8.7.2 Disconnection.

8 Phoenix will disconnect (also known as "valve off") or otherwise
9 sever the Phoenix-to-TreatCo Wastewater Delivery Point, and TreatCo will be entitled to
10 discontinue acceptance of Wastewater at such Delivery Point, within 30 days of the occurrence
11 of the following:

12 a. Expiration of the term of this Article as provided in Section
13 8.7.

14 b. Breach of any of the obligations of Phoenix set forth in this
15 Article which have not been expressly waived in writing by TreatCo.

16 c. The occurrence of a condition for disconnecting ("valving off")
17 or otherwise severing the Delivery Point as described in this Article.

18 d. The rate ratio being exceeded as described in Section 8.5.2.

19 8.7.3 Conditions for Disconnection.

20 Phoenix at its sole expense will design and construct all facilities
21 necessary to disconnect the Phoenix-to-TreatCo Wastewater Delivery Point. Phoenix and
22 TreatCo may mutually agree to arrangements to allow those facilities and the Delivery Point to
23 remain in place. Any work performed on the TreatCo System by Phoenix's contractor will be

1 done in a satisfactory and workmanlike manner and in accordance with plans and specifications
2 approved by TreatCo. Phoenix will not permit work to be done by its contractor until said plans
3 and specifications have been approved by TreatCo. The plans and specifications will include a
4 right by TreatCo to inspect the work of Phoenix's contractors.

5 8.8 Calibration of Instruments.

6 8.8.1 General.

7 Phoenix will be responsible for calibration and preventive
8 maintenance of all metering, instrumentation and telemetry equipment required by TreatCo for
9 delivery of the Wastewater at the Phoenix-to-TreatCo Wastewater Delivery Point. All necessary
10 calibration will be performed by an independent contractor every year at Phoenix's cost.
11 TreatCo's Representative will be notified in advance and will be entitled to be present during the
12 calibration (but the calibration may be conducted in accordance with the notice even if that
13 Representative fails to appear).

14 8.8.2 Reconciliation.

15 Discrepancies greater than three percent (3%) that are discovered
16 during the calibration will be adjusted as follows:

17 a. One-half of the discrepancy percentage will be charged or
18 refunded for all Wastewater received between the date of the last calibration and the date the
19 discrepancy is discovered.

20 b. If the meter fails or stops recording, an estimate of the
21 Wastewater received during the months of failure will be prepared for billing purposes in
22 accordance with TreatCo's standard practice for such estimations and, if Wastewater is still
23 being received by TreatCo from Phoenix under this Agreement during that period, will take into

1 account the amount of such Wastewater received during that period. To avoid continued
2 estimation, Phoenix will act diligently in seeking to repair or replace the meter. In no event will
3 the meter go unrepaired or not replaced for more than three consecutive billing periods.

4 8.8.3 Payment for Instrumentation.

5 Phoenix will be responsible for connecting (or causing to be
6 connected) delivery meter output signals to TreatCo's electronic telemetry systems as directed by
7 TreatCo. Phoenix will pay all costs for equipment and labor necessary to connect such system to
8 TreatCo's standards and satisfaction.

9 8.8.4 Calibration Reports.

10 Phoenix will provide TreatCo with a copy of all preventive
11 maintenance and calibration contracts and with copies of calibration reports. This
12 documentation will be provided to Citizens Water Resources Company of Arizona, Attn:
13 Operations Manager, 15626 North Del Webb Boulevard, P.O. Box 1687, Sun City, Arizona
14 85372.

15 8.9 Phoenix Collection.

16 Wastewater delivered by Phoenix to TreatCo pursuant to this Article will
17 have been collected by Phoenix only from the following areas and from no other areas: (a)
18 locations within the Phoenix Area, provided such Wastewater has been generated only within the
19 Phoenix Area, and (b) locations outside the Phoenix Area, if (and only if) both (i) the Phoenix
20 City Code requires Phoenix to extend Retail Wastewater Services to a customer outside the
21 Phoenix Area and (ii) the acceptance of that Wastewater does not reduce the level of service
22 provided by Phoenix within the Phoenix Area or cause TreatCo to reduce the level of service
23 provided by TreatCo in the Project or elsewhere.

1 ARTICLE IX

2 RETAIL NON-POTABLE WATER SERVICES BY PHOENIX IN PHOENIX AREA

3 9.1 Retail Non-Potable Water Service.

4 Phoenix will provide (and will have sole responsibility for providing)
5 Retail Non-Potable Water Services to residents, businesses, schools and other persons, including
6 Phoenix itself, within the Phoenix Area in accordance with the Phoenix City Code. TreatCo has
7 no responsibility for providing Retail Non-Potable Water Services in the Phoenix Area.

8 9.2 Authorizations.

9 Phoenix will at its own expense on a timely basis take all reasonable steps
10 necessary to obtain, maintain and renew any Authorizations necessary in connection with its
11 activities described in this Article. TreatCo will cooperate with (and affirmatively support)
12 Phoenix in obtaining any such Authorizations.

13 9.3 Billing of Customers.

14 Phoenix will bill (and will have sole responsibility for billing) its
15 customers for Retail Non-Potable Water Services. The billing will be done in accordance with
16 the Phoenix City Code. TreatCo has no responsibility for that billing or for collection of
17 amounts so billed.

18 9.4 Code Compliance.

19 Phoenix will enforce all of the Phoenix City Code provisions applicable to
20 Retail Non-Potable Water Service in the Phoenix Area.

1 9.5 Maintenance and Ownership.

2 Phoenix will be solely responsible for maintenance and ownership of all
3 public Non-Potable Water lines located within public rights-of-way or easements within the
4 Phoenix Area.

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ARTICLE X

WHOLESALE NON-POTABLE WATER SERVICES BY TREATCO TO PHOENIX

10.1 Transfer of Non-Potable Water.

TreatCo will deliver Non-Potable Water to Phoenix for resale. Phoenix may use the Non-Potable Water only to provide Retail Non-Potable Water Services in the Phoenix Area as contemplated by Article IX and for no other purpose. These deliveries will be in quantities and at flow rates sufficient to meet the reasonable demands of the customers of Phoenix in the Phoenix Area.

10.2 Point of Delivery.

The Non-Potable Water will be delivered by TreatCo to Phoenix at the TreatCo-to-Phoenix Non-Potable Water Delivery Point. TreatCo will have no responsibility for the Non-Potable Water after the Non-Potable Water has been delivered to the TreatCo-to-Phoenix Non-Potable Water Delivery Point.

10.3 Water Quality.

Except as provided herein, TreatCo makes no representations or warranties regarding the quality of the Non-Potable Water delivered to Phoenix under this Article, other than that the quality of the Non-Potable Water delivered to Phoenix pursuant to this Article will be generally similar to the quality of Non-Potable Water that TreatCo delivers to its retail customers and will be of a quality to meet applicable state requirements for open access irrigation uses set forth in the regulations promulgated by ADWR for the reuse of reclaimed Wastewater.

1 10.4 Calibration of Instruments.

2 10.4.1 General.

3 Phoenix will be responsible for calibration and preventive
4 maintenance of all metering, instrumentation and telemetry equipment required by TreatCo for
5 delivery of the Non-Potable Water at the TreatCo-to-Phoenix Non-Potable Water Delivery Point.
6 All necessary calibration will be performed by an independent contractor every year at Phoenix's
7 cost. TreatCo's Representative will be notified in advance and will entitled to be present during
8 the calibration (but the calibration may be conducted in accordance with the notice even if that
9 Representative fails to appear).

10 10.4.2 Reconciliation.

11 Discrepancies greater than three percent (3%) that are discovered
12 during the calibration will be adjusted as follows:

13 a. One half of the discrepancy percentage will be charged or
14 refunded for all Non-Potable Water delivered between the date of the last calibration and the date
15 the discrepancy is discovered.

16 b. If the meter fails or stops recording, an estimate of the Non-
17 Potable Water delivered during the months of failure will be prepared for billing purposes in
18 accordance with TreatCo's standard practice for such estimations. To avoid continued
19 estimation, Phoenix will act diligently in seeking to repair or replace the meter. In no event will
20 the meter go unrepaired or not replaced for more than three consecutive billing periods.

21 10.4.3 Payment for Instrumentation.

22 Phoenix will be responsible for connecting (or causing to be
23 connected) delivery meter output signals to TreatCo's electronic telemetry systems as directed by

1 TreatCo. Phoenix will pay all costs for equipment and labor necessary to connect such system to
2 TreatCo's standards and satisfaction.

3 10.4.4 Calibration Reports.

4 Phoenix will provide TreatCo with a copy of all preventive
5 maintenance and calibration contracts and with copies of calibration reports. This
6 documentation will be provided to Vice President and General Manager, Citizens Water
7 Resources Company of Arizona, Attn: Operations Manager, 15626 North Del Webb Boulevard,
8 P.O. Box 1687, Sun City, Arizona 85372.

9 10.5 Estimate of Water Demand.

10 10.5.1 Periodic Estimates.

11 On or before November 1 of each year, Phoenix will provide
12 TreatCo with a written estimate of the amount of Non-Potable Water that Phoenix may require
13 TreatCo to deliver in the following calendar year. The estimate will also set forth the estimated
14 amount for each month.

15 10.5.2 Meter Readings.

16 Meters will be read jointly by both Parties on a monthly basis for
17 billing purposes.

18 10.6 Service Connection.

19 10.6.1 Valves and Fittings.

20 The TreatCo-to-Phoenix Non-Potable Water Delivery Point will
21 contain all necessary valves and fittings to ensure that:

22 a. The maximum amount of Non-Potable Water delivered will not
23 exceed the Non-Potable Water demand for the Phoenix Area.

1 b. No backflow will occur. Phoenix will install and maintain, to
2 the reasonable satisfaction of TreatCo, backflow prevention assemblies on the TreatCo-to-
3 Phoenix Non-Potable Water Delivery Point. All such assemblies will be located on Phoenix's
4 property or on other public rights-of-way.

5 c. "Water hammers" (that is, circumstances in which valves open
6 or close too quickly) will be minimized.

7 10.6.2 Replacement.

8 If meters, gates or valves installed by Phoenix as required by this
9 Article become undersized, inoperative or inaccurate for the range of flows through such
10 facilities based on applicable water engineering standards, Phoenix will at its expense replace
11 such meters, gates or valves as required by TreatCo.

12 10.7 Storage and Pressure.

13 TreatCo makes no warranties or guarantees that it is providing storage or
14 pressure capacity to Phoenix. Inside the Phoenix Area, Phoenix will be solely responsible for its
15 own delivery infrastructure, including storage and pumping capacity for maintaining adequate
16 pressure.

17 10.8 Transmission and Treatment Losses.

18 TreatCo will determine the amount of losses occurring in the treatment
19 and transportation of Non-Potable Water to the TreatCo-to-Phoenix Non-Potable Water Delivery
20 Point. Unless the Parties mutually agree otherwise in writing, the determination will be made in
21 accordance with the percentage of losses reported by TreatCo to ADWR each year (or, in the
22 absence of such reports, the percentage derived from another reasonable methodology).
23 Notwithstanding the foregoing, the percentage of losses will not exceed ten percent (10%). The

1 losses will increase the amount of Non-Potable Water deemed to have been delivered by TreatCo
2 to Phoenix at the TreatCo-to-Phoenix Non-Potable Water Delivery Point and will be accounted
3 for as an additional amount (i.e., added to the meter reading at the TreatCo-to-Phoenix Non-
4 Potable Water Delivery Point).

5 10.9 Shut Downs.

6 TreatCo will have the right to suspend the delivery of Non-Potable Water
7 pursuant to this Article for an emergency or for purposes of routine maintenance and repair.
8 TreatCo will provide (a) 30-days' prior written notice of any suspension for routine maintenance
9 and repair, and (b) such prior written notice as may be practicable of any suspension for an
10 emergency. TreatCo will not be liable to Phoenix, to any customer of Phoenix or to any other
11 person for any claim, demand, loss or damage of any nature or character whatsoever due to, or
12 arising out of, any suspension of delivery of Non-Potable Water pursuant to this Article for an
13 emergency or for purposes of routine maintenance and repair.

14 10.10 Phoenix Distribution.

15 TreatCo's obligation to Phoenix under this Article will terminate at the
16 TreatCo-to-Phoenix Non-Potable Water Delivery Point. Phoenix is responsible, and assumes
17 full liability, for the distribution of Non-Potable Water received at the TreatCo-to-Phoenix Non-
18 Potable Water Delivery Point and for all operation and maintenance costs for delivery to
19 Phoenix's users. Phoenix will indemnify, defend and hold TreatCo harmless from and against all
20 expense, liability and claims for damage to property or for injury to or death of any persons
21 arising out of or in any way connected with the distribution, nondistribution or quality of the
22 delivered Non-Potable Water by Phoenix once such water is delivered to the TreatCo-to-Phoenix
23 Non-Potable Water Delivery Point. Non-Potable Water delivered by TreatCo to Phoenix

1 pursuant to this Article will be distributed by Phoenix only to locations within the Phoenix Area
2 for end use within the Phoenix Area.

3 10.11 Payment for Wholesale Non-Potable Water Service.

4 In consideration of TreatCo agreeing to deliver Non-Potable Water
5 pursuant to this Article, Phoenix will pay TreatCo for Non-Potable Water delivered to the
6 TreatCo-to-Phoenix Non-Potable Water Delivery Point at a wholesale Non-Potable Water
7 delivery rate determined as follows:

8 a. The wholesale Non-Potable Water delivery rate will be seventy-
9 five percent (75%) of TreatCo's then applicable retail Non-Potable Water rate for retail Non-
10 Potable Water customers of TreatCo (which rate is presently \$0.64 per one thousand gallons).

11 b. The Parties acknowledge that the rate described in paragraph (a)
12 may be altered from time to time by the Commission with or without the consent of TreatCo.
13 TreatCo will have the right to request changes in such rate from time to time, but those requested
14 changes must be based on changes in the actual costs paid or incurred by TreatCo with respect to
15 providing the services pursuant to this Article.

16 10.12 Monthly Water Bill.

17 10.12.1 Terms.

18 TreatCo will monthly prepare and send to Phoenix a billing invoice
19 for Non-Potable Water delivered to Phoenix pursuant to this Article during the preceding month.
20 Monthly bills will be due and payable by Phoenix within 30 days after the billing invoice date
21 printed on the billing invoice.

1 10.12.2Disputed Bill.

2 If Phoenix disputes any portion of any bill, Phoenix will pay the
3 disputed amount under protest when due and include with its payment a written statement
4 indicating the basis for the protest. If the protest is found to be valid, TreatCo will refund to
5 Phoenix any overpayment within 30 days after that finding.

6 10.12.3Delinquent Bill.

7 If any bill is not paid within 30 days after receipt of written
8 notification of the delinquency, TreatCo will have the right, without liability of any kind, to
9 suspend the delivery of Non-Potable Water pursuant to this Article as long as the said amount
10 remains unpaid. Nothing in this Section will limit the rights of TreatCo to use any other
11 available legal remedy to effect collection of said amount.

12 10.13 Term of Article; Discontinuance of Delivery.

13 10.13.1Term and Termination.

14 This Article will be for an initial term of 10 years, and may be
15 renewed by Phoenix for a subsequent additional 10-year term, provided however Phoenix may
16 on 90-days' prior notice to TreatCo terminate this Article prior to the expiration of the initial 10-
17 year term if Phoenix has connected the Phoenix Distribution Facilities to the Phoenix Non-
18 Potable Water Treatment Facilities.

19 10.13.2Termination.

20 Within the second 10-year term, either Party may terminate this
21 Article prior to the end of such 10-year term if the terminating Party gives five-years' prior
22 written notice of such termination to the other Party. Upon such notice being given, this Article
23 will terminate five years from the date of delivery of such notice to the other Party. This Article

1 may also be terminated at any time if both Parties agree that it is mutually beneficial to terminate
2 this Article. Within the second 10-year term, Phoenix may on 90-days' prior notice to TreatCo
3 terminate this Article prior to the expiration of that term, if Phoenix has connected the Phoenix
4 Area to a Non-Potable Water system owned and operated by Phoenix.

5 10.13.3Disconnection.

6 Phoenix will disconnect (also known as "valve off") or sever the
7 TreatCo-to-Phoenix Non-Potable Water Delivery Point, and TreatCo will be entitled to
8 discontinue delivery of Non-Potable Water to such Delivery Point, within 30 days of the
9 occurrence of the following:

- 10 a. Expiration of the term of this Article or other termination of
11 this Article as provided in Section 10.4.1.
12 b. Breach of any of the obligations of Phoenix set forth in this
13 Article which have not been expressly waived in writing by TreatCo.
14 c. The occurrence of a condition for disconnecting ("valving
15 off") or otherwise severing the Delivery Point as described in this Article.

16 10.13.4Conditions for Disconnection.

17 Phoenix at its sole expense will design and construct all facilities
18 necessary to disconnect the TreatCo-to-Phoenix Non-Potable Water Delivery Point. Phoenix and
19 TreatCo may mutually agree to arrangements to allow these facilities and the Delivery Point to
20 remain in place. Any work performed on the TreatCo System by Phoenix's contractor will be
21 done in a satisfactory and workmanlike manner and in accordance with plans and specifications
22 approved by TreatCo. Phoenix will not permit work to be done by its contractor until said plans

1 and specifications have been approved by TreatCo. The plans and specifications will include a
2 right by TreatCo to inspect the work of Phoenix's contractors.

3 10.14 Approvals Required by Law.

4 Phoenix and TreatCo will cooperate in seeking any approvals or permits
5 required by applicable law to effectuate the delivery of Non-Potable Water pursuant to this
6 Article. If any such approval cannot be obtained, then Phoenix and TreatCo will be relieved of
7 their respective obligations set forth in this Article (but the Parties will not thereby be relieved of
8 their respective obligations under Section 1.3.2). As between Phoenix and TreatCo, Phoenix
9 will take the initiative and use its reasonable best efforts in seeking any approvals or permits
10 required by applicable law to effectuate the delivery of Non-Potable Water pursuant to this
11 Article that would not be required to be obtained by TreatCo but for this Article.

1 ARTICLE XI

2 TREATCO RECHARGE /RECOVERY FACILITIES

3 11.1 Acknowledgements.

4 The Parties acknowledge that, pursuant to the Infrastructure Agreement,
5 TreatCo plans to locate TreatCo Recharge/Recovery Facilities in the Phoenix Area to enable
6 TreatCo to recharge and recover water transported to the recharge site located in the Phoenix
7 Area.

8 11.2 Recovery Wells.

9 11.2.1 Drilling.

10 Phoenix consents to TreatCo's location of seven recovery wells
11 and will provide letters to other governmental bodies confirming this consent. Those wells are to
12 be subject to the use restrictions set forth in Sections 11.2.4 and 11.2.5. The location of the
13 Recharge/Recovery Facilities (including the recovery wells) to which Phoenix consents is set
14 forth on Exhibit C.

15 11.2.2 Reports.

16 After the recovery wells which are located in the Phoenix Area and
17 which are part of the TreatCo Recharge/Recovery Facilities have been drilled, completed and
18 placed in service, TreatCo will provide copies of additional engineering and hydrology reports (if
19 any) that TreatCo has prepared or received regarding the location, groundwater table underlying,
20 and effect of the recovery wells to Phoenix for its records.

21 11.2.3 Isolation; Use Restriction.

22 Notwithstanding Sections 5.14 and 10.13, if TreatCo desires to
23 continue to use the recovery wells which are located in the Phoenix Area and which are part of

1 the TreatCo Recharge/Recovery Facilities after the disconnection of the TreatCo-to-Phoenix
2 Potable Water Delivery Point or the TreatCo-to-Phoenix Non-Potable Water Delivery Point as
3 described in those Sections, TreatCo will design and install in the Phoenix Area valves and
4 mains that are isolated from and not connected to the Phoenix Facilities, and in connection with
5 that design and installation) Phoenix will grant TreatCo such permits or licenses for the use of
6 public rights-of-way and/or public easements as may be necessary for the location of (and access
7 to) those valves and mains. Unless and until such isolated and unconnected valves and mains are
8 installed, TreatCo will use such wells only for supplemental "emergency" purposes.

9 11.2.4 Use Restriction; Connections to Phoenix Area.

10 Until June 1, 2005, TreatCo will operate its recovery wells only as
11 an emergency backup for that Wholesale Potable Water Service, unless TreatCo first blends the
12 withdrawn well water with TreatCo's surface water supply. Such emergency conditions will be
13 limited to an outage (whether in whole or of at least 50% of TreatCo's treatment capacity) of the
14 surface water treatment plant or catastrophic water main break. TreatCo will notify the water
15 services director of Phoenix as soon as practicable of operation of any well for discharge to the
16 Potable Water distribution system which provides Wholesale Potable Water Service to Phoenix.
17 The recovery wells will be constructed such that direct withdrawal of discharged reclaimed water
18 does not occur.

19 11.2.5 Restriction on Number and Use of Wells.

20 During the time that Phoenix is providing Wholesale Potable
21 Water Service to TreatCo as provided in this Agreement, TreatCo will limit the number of
22 recovery wells which are located in the Phoenix Area and owned by TreatCo to no more than
23 seven (7) recovery wells. In addition, TreatCo will limit the total amount of water withdrawn

1 from the wells to not more than 2,000 acre feet per year, subject to the use limitations described
2 in Section 11.2.4.

3 11.3 Rights-of-Way in Favor of TreatCo.

4 The Parties have mutually agreed (or will mutually agree from time to
5 time) on the location of the lines connecting the TreatCo Recharge/Recovery Facilities located in
6 the Phoenix Area with the TreatCo System. Phoenix acknowledges that, concurrently with the
7 execution of this Agreement, Developer will grant to TreatCo an initial water line easement for
8 the location of (and access to) TreatCo's lines, which easement will be substantially in the form
9 attached as Exhibit E, and pertaining to premises described therein (the "Developer Water Line
10 Easement"). The Developer Water Line Easement will include the conditions set forth in
11 Attachment I to the Developer Water Line Easement, but any public streets, public easements or
12 other interests of Phoenix with respect to the premises described in the Developer Water Line
13 Easement are subordinate and junior to the rights granted to TreatCo by the Developer Water
14 Line Easement. Phoenix also acknowledges that Developer will from time to time grant to
15 TreatCo additional water line easements substantially in the form attached as Exhibit E and
16 pertaining to other locations in the Phoenix Area. The Parties acknowledge that the premises
17 described in the Developer Water Line Easement consist of four (4) non-contiguous segments
18 separated by "gaps." Accordingly, to facilitate an uninterrupted right-of-way for TreatCo's lines,
19 Phoenix acknowledges and agrees that, concurrently with the execution of this Agreement,
20 Phoenix will grant to TreatCo an initial water line easement as to the "gaps" for the location of
21 (and access to) TreatCo's lines, which easement will be substantially in the form attached as
22 Exhibit F, and pertaining to the premises described therein (the "Phoenix Water Line
23 Easement"). In addition, Phoenix will grant TreatCo such additional permits and licenses with

1 standard conditions required of similar permittees or licensees in public streets and public
2 easements as may be necessary for the location of (and access to) those lines to the recharge area.

3 11.4 Recharge Credits.

4 Recharge and related credits (including Recharge Credits) relating to
5 recharge and recovery through or by means of the TreatCo Recharge/Recovery Facilities belong
6 to and are the property of TreatCo.

7 11.5 Forbearance and Waiver of Condemnation Rights.

8 To the extent permitted by applicable law, and for a period from the date
9 of this Agreement to the fifteenth (15th) anniversary of the date that Phoenix first provides Retail
10 Potable Water Services in the Phoenix Area, Phoenix will not acquire or attempt to acquire by
11 condemnation, eminent domain proceedings or otherwise, the property of TreatCo providing
12 water and wastewater services outside the present Phoenix Area.

1 ARTICLE XII

2 PAYMENTS

3 12.1 Payment by TreatCo.

4 In consideration for the additional water and wastewater service capacity
5 that becomes available to TreatCo by virtue of this Agreement and other good and valuable
6 consideration, the receipt and sufficiency of which are hereby acknowledged, and provided that
7 Phoenix has otherwise complied with Sections 3.3 and 6.3, TreatCo will pay or cause to be paid
8 to Phoenix the aggregate amount of five million dollars (\$5,000,000). That amount will be paid
9 to Phoenix in five (5) equal installments of one million dollars (\$1,000,000) each, as follows:

10 a. The first installment will be paid on the thirtieth (30th) day after
11 the later of (i) June 1, 2002, or (ii) the day on which the amount of Potable Water available to
12 TreatCo at the Phoenix-to-TreatCo Potable Water Delivery Point pursuant to Article V equals
13 one million gallons per day (1.0 MGD).

14 b. The second installment will be paid on the thirtieth (30th) day
15 after the day on which the amount of Potable Water available to TreatCo at the Phoenix-to-
16 TreatCo Potable Water Delivery Point pursuant to Article V equals four million gallons per day
17 (4.0 MGD).

18 c. The third, fourth and fifth installments will be paid on the third,
19 fourth and fifth anniversaries, respectively, of the payment of the second installment.

20 No interest will accrue on or otherwise be payable with respect to the foregoing amounts.

1 ARTICLE XIII

2 DISPUTE RESOLUTION

3 13.1 Scope of Article.

4 This Article governs the resolution of all disputes that arise under this
5 Agreement (including any dispute as to the arbitrability of a matter).

6 13.2 Good Faith Negotiations.

7 A Party that believes a dispute exists under this Agreement will first refer
8 the dispute to the Representatives for resolution. The Representatives of each Party will
9 personally meet and attempt in good faith to resolve the dispute. If the Designated
10 Representatives cannot resolve the dispute within 21 days, the matter will be referred to senior
11 management of the Parties for resolution. If these persons are unable to resolve the dispute
12 within 21 days, a Party that still believes a dispute requires resolution may avail itself of the
13 provisions of Section 13.3.

14 13.3 Mediation and Arbitration.

15 If a Party still believes a dispute requires resolution after following the
16 procedures of Section 13.2, that Party will first give a detailed written notice of dispute to the
17 other Party setting forth the nature of the dispute. The Parties will then, before resorting to
18 arbitration, first try in good faith to settle the dispute by mediation in accordance with mutually
19 agreed mediation rules. The mediator must have substantial experience with the public and
20 private water utility industry.

21 Any dispute not resolved by mediation within 60 days after the initial
22 meeting of the Representative may upon agreement by both parties, be submitted to non-binding
23 arbitration administered by the American Arbitration Association ("AAA") before a single

1 arbitrator. If the controversy or claim relates to construction, and if the Parties mutually agree to
2 arbitration, the arbitration will be conducted in accordance with the AAA's Construction Industry
3 Arbitration Rules; otherwise, the AAA's Commercial Arbitration Rules will apply, as well its
4 expedited hearing rules and optional rules. In any case, the arbitrator must have substantial
5 experience with the public and private water utility industry. The arbitrator has no power to amend
6 or modify this Agreement. Unless the Parties otherwise agree, the award rendered by the arbitrator
7 is not binding on the Parties and is not admissible in any court proceeding.

8 13.4 Other Remedies.

9 The preceding paragraphs of this Article are intended to set forth the first
10 procedure to resolve all disputes under this Agreement. It is desirable that all disputes that
11 would traditionally be resolvable by a law court would be resolvable under this procedure.
12 However, the Parties recognize that certain business relationships could give rise to the need for
13 one Party to seek equitable remedies from a court, such as emergency, provisional or summary
14 relief, and injunctive relief. Immediately following the issuance of any such equitable relief, the
15 Parties will stay any further judicial proceeding pending mediation or arbitration of all
16 underlying claims between the Parties.

17 13.5 Confidentiality.

18 Except as otherwise agreed by the Parties in writing, (a) the fact of the
19 pending arbitration will not be disclosed or confirmed by the Parties or the arbitrator to any
20 person who is not a party to, or called to testify at, the proceedings until the arbitration award has
21 been made, (b) the proceedings will not be recorded or transcribed in any manner, and (c) all
22 documents, testimony and records (other than the contract documents out of which the dispute

1 arises) will be received, heard and maintained by the arbitrator, available for inspection only by
2 the Parties.

1 ARTICLE XIV

2 GENERAL PROVISIONS

3 14.1 Force Majeure.

4 No Party will be liable to another Party for failure, default or delay in
5 performing any of its obligations under this Agreement, other than for the payment of money
6 obligations specified in this Agreement, if such failure, default or delay is the result of any cause
7 or event not within the control of the Party affected and which, by the exercise or reasonable
8 diligence, such Party is unable to prevent or mitigate (such a cause or event being "Force
9 Majeure"). Force Majeure includes the failure of the other Party to timely construct
10 interconnection lines as described in Sections 3.4.1 and 3.4.2.1. Force Majeure does not include
11 changes in local, state, national or international general economic conditions. The Party's
12 failure, default or delay in performance will be excused only for as long as such cause or event is
13 present. If any of the foregoing occur, the Parties will proceed with diligence to do what is
14 reasonable and necessary to enable each Party to perform its obligations under this Agreement.
15 A Party will not in any event incur any liability to any other Party for consequential or any other
16 damages which may result from delays in initiating service, or from interruptions in or other
17 malfunctions of service, based upon the foregoing circumstances.

18 14.2 Assignment.

19 This Agreement may be assigned by TreatCo (or, to the extent it is a party
20 hereto, by DistCo) to (a) a parent corporation of which it is a wholly-owned subsidiary, or to a
21 wholly-owned subsidiary of the parent, or to a wholly-owned subsidiary of a wholly-owned
22 subsidiary of the parent or another entity wherein Citizens has a controlling interest, (b)
23 American Water Works Company, Inc. (or a subsidiary or other affiliate thereof) or a person

1 who merges with TreatCo or DistCo or any of the foregoing or who acquires all or substantially
2 all of the stock or assets of TreatCo or DistCo or any of the foregoing, or (c) an assignee of the
3 rights and obligations of TreatCo, DistCo or any of the foregoing under the Infrastructure
4 Agreement. This Agreement will not be otherwise assignable by a Party without the prior
5 written consent of the other Parties, which consent will not be unreasonably withheld.

6 14.3 Notices.

7 Except as otherwise specified in this Agreement, any notice, demand,
8 request or other communication required or authorized by this Agreement to be given in writing
9 to a Party must be either (a) personally delivered, (b) mailed by registered or certified mail
10 (return receipt requested), postage prepaid, (c) sent by overnight express carrier, or (d) sent by
11 telecopy or electronic mail, in each case at the following address:

12 To TreatCo or DistCo at:

13 Vice President and General Manager
14 Citizens Water Resources Company of Arizona
15 15626 North Del Webb Boulevard
16 P.O. Box 1687
17 Sun City, Arizona 85372

18 with a copy to:

19 Craig A. Marks
20 Associate General Counsel
21 Citizens Utilities Company
22 2901 North Central Avenue
23 Phoenix, Arizona 85004

1 and with a further copy to:

2 Gallagher & Kennedy, P.A.

3 Attn: Terence W. Thompson, Esq.

4 2600 North Central Avenue

5 Phoenix, Arizona 85004

6 or to such other address as DistCo or TreatCo may advise the other Parties in writing, and to

7 Phoenix at:

8 City of Phoenix

9 200 West Washington Street, Suite 900

10 Phoenix, Arizona 85003

11 Attn: Water Services Director

12 Telephone: (602) 262-6627

13 Fax: (602) 495-5542

14 with a copy to:

15 Jesse W. Sears

16 Assistant Chief Counsel

17 City Attorney's Office

18 City of Phoenix Law Department

19 200 West Washington Street, Suite 1300

20 Phoenix, Arizona 85003-1611

21 Telephone: (602) 495-5910

22 Fax: (602) 534-2476

1 or to such other address as Phoenix may advise the other Parties in writing. The designation of such
2 person and/or address may be changed at any time by a Party on written notice given under this
3 Section. All notices, demands, requests or other communications sent pursuant to this Section will
4 be deemed received (i) if personally delivered, on the Business Day of delivery, (ii) if sent by
5 telecopy or electronic mail before noon (12:00 p.m.) Phoenix time, on the day sent if a Business
6 Day or, if such day is not a Business Day or if sent after noon (12:00 p.m.) Phoenix time, on the
7 next Business Day, (iii) if sent by overnight express carrier, on the next Business Day immediately
8 following the day sent, or (iv) if sent by registered or certified mail, on the earlier of the third
9 Business Day after the day sent or when actually received. Any notice by telecopy or electronic
10 mail will be followed by notice sent by other means as well.

11 14.4 Entire Agreement; Attachments.

12 14.4.1 Entire Agreement.

13 This Agreement constitutes the entire understanding between the Parties
14 regarding the subject matter of this Agreement. This Agreement supersedes any and all previous
15 understandings between the Parties (including any letter of intent) regarding the subject matter of
16 this Agreement. This Agreement binds and inures to the benefit of the Parties, their successors
17 and assigns. None of the Parties has entered into this Agreement in reliance upon any oral or
18 written representation or information provided by any other Party.

19 14.4.2 Attachments.

20 Attachments not complete at the effective date of this Agreement will be
21 added as they are completed by written amendment, signed by each Party. Each attachment that
22 is completed or modified by a subsequent amendment will note on its face the date and number
23 of that amendment.

1 14.5 Further Assurances.

2 If a Party determines in its reasonable discretion that any further
3 instruments, assurances or other things are necessary or desirable to carry out the terms of this
4 Agreement, the other Party will execute and deliver all instruments and assurances and do all
5 things reasonably necessary or desirable to carry out the terms of this Agreement, including
6 using its best efforts to negotiate and enter into any agreements that may become necessary and
7 appropriate.

8 14.6 No Waiver.

9 The failure of a Party to enforce at any time any of the provisions of this
10 Agreement (or to require at any time performance by the other Party of any of its provisions) is
11 not to be construed as a waiver of such provisions and does not in any way affect the validity of
12 this Agreement or the right of such Party to enforce any provision.

13 14.7 Modification or Waiver.

14 A modification or waiver of all or any part of this Agreement is not valid
15 unless it is reduced to a written agreement.

16 14.8 Governing Law and Interpretation.

17 The laws of the State of Arizona govern the interpretation and
18 performance of this Agreement.

19 14.9 Counterparts.

20 This Agreement may be executed in several counterparts.

21 14.10 No Third Party Beneficiaries.

22 Nothing in this Agreement, express or implied, is intended to confer any
23 rights or remedies under or by reason of this Agreement on any persons other than the Parties.

1 Nothing in this Agreement is intended to relieve or discharge the obligation or liability of any
2 third person to any Party. This Agreement does not create any duty, liability or standard of care
3 to any person not a Party.

4 14.11 Confidential and Proprietary Information.

5 To the extent permitted by law, any information provided by one Party to
6 another Party that is conspicuously labeled "CONFIDENTIAL AND PROPRIETARY", or any
7 matter derived from such information, may not be disclosed by the receiving Party to any third
8 party, except: (i) with the providing Party's consent, not to be unreasonably withheld, (ii) in
9 response to a subpoena, other legal process, court order, or regulatory authority order obtained
10 after the receiving Party has used reasonable efforts to obtain an order of the court protecting the
11 confidentiality of the information and/or restricting its dissemination, (iii) if such dissemination
12 is necessary after the occurrence of a default under this Agreement by the Party supplying such
13 information in connection with the enforcement of the rights of the non-defaulting Party, or (iv)
14 if the information provided by one Party to another Party is otherwise publicly available. If a
15 Party that receives confidential information becomes aware of any attempt by any third party or
16 court to obtain any confidential information, the Party will, as soon as practicable, notify the
17 Party that labeled the information as confidential of the attempt to obtain the information. Upon
18 request of the providing Party, the information must be promptly returned. Notwithstanding the
19 foregoing expectation, the Parties acknowledge that Phoenix is a public entity subject to the
20 provisions of the Arizona Public Records Law, which may make certain of the foregoing
21 expectations unenforceable as a matter of law.

1 14.12 Review of Facilities.

2 Review, audit or inspection by a Party of a facility constructed by another
3 Party or of a document drafted by another Party does not constitute an endorsement or warranty
4 of any of them or a waiver of any right under this Agreement.

5 14.13 Computation of Time.

6 In computing any period of time prescribed or allowed under this
7 Agreement, the day of the act, event or default from which the designated period of time begins
8 to run is included. Weekend and holidays are also included. Section 14.3 sets forth special rules
9 as to when notices and other communications are deemed received.

10 14.14 No Party the Drafter; Legal Representation.

11 This Agreement is the product of negotiation among the Parties. No Party
12 is deemed the drafter of this Agreement. In connection with this Agreement and the transactions
13 contemplated hereby, TreatCo and its Affiliates are represented by Gallagher & Kennedy, P.A.,
14 and Phoenix is represented by the City Attorney's Office, and each Party hereby consents to such
15 representation and waives any potential or actual conflict of interest with respect to such
16 representation (including representation in connection with any dispute that may arise under this
17 Agreement or that may otherwise arise between the Parties or their respective Affiliates).

18 14.15 Term of Agreement.

19 Subject to the express provisions of this Agreement that otherwise
20 terminate, limit or extend the time period during which a Party is obligated to perform a certain
21 obligation, this Agreement will terminate 100 years from the date of execution.

1 14.16 Interest on Late Payments.

2 Except as otherwise provided herein, all payments under this Agreement
3 that are not paid within 30 days of the due date of the payment will accrue interest thereon at the
4 Prime Rate plus two percent (2%) per annum, compounded monthly from the due date of the
5 payment until the amount is paid. For purposes of this Agreement, "Prime Rate" means, for any
6 day, the rate of interest in effect for such day as publicly announced from time to time by Bank
7 One, Arizona, NA, a national banking association, as its "reference rate" or any similar preferred
8 rate announced by any successor to Bank One Arizona, NA, in Phoenix, Arizona.

9 14.17 Conflict of Interest.

10 The Parties acknowledge that this Agreement is subject to cancellation
11 under the provisions of A.R.S. § 38-511.

12 IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be
13 entered into on the day and year first above written.

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CITIZENS WATER RESOURCES COMPANY
OF ARIZONA

By: Ray L. Jorne
Its: Vice President & General Manager

CITY OF PHOENIX, ARIZONA

By: Frank Fairbanks, City Manager

~~By:~~ Michael Gritzuk
His duly authorized representative

ATTEST: [Signature]
ACTING City Clerk

1600 SEP 22 AM 10:04
CITY CLERK DEPT.

1 APPROVED AS TO FORM:

2

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4

William Beck

ACTING City Attorney *mp*

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AGREEMENT OF DISTCO

Solely for the purpose of facilitating the cancellation of certain CC&Ns as contemplated by Section 1.3, DistCo agrees to be bound by Section 1.3 and Articles XIII and XIV.

Dated as of the date first above written.

CITIZENS WATER SERVICES COMPANY
OF ARIZONA

By: Ray L. Jones
Its: Vice President & General Manager

1 EXHIBIT A

2 DEFINITIONS

3 “AAA” means the American Arbitration Association.

4 “ADWR” means the Arizona Department of Water Resources.

5 “Affiliate” means any person (other than an individual) which directly or indirectly
6 controls, is controlled by, or is under common control with, another person. For purposes of this
7 definition, “control” means possession, directly or indirectly, of the power to direct or cause the
8 direction of the management and policies of a person, whether by contract or otherwise. The
9 Affiliates of TreatCo include Citizens and DistCo.

10 “Agreement” means this Agreement dated as of September 22, 2000, between
11 Phoenix and TreatCo, including all exhibits and any other attachments, as amended from time to
12 time.

13 “Ak Chin Water” means the Ak Chin Water delivered to TreatCo pursuant to (and as
14 defined in) the Infrastructure Agreement.

15 “Anthem Interconnect Water Line” has the meaning set forth in Section 6.1.1.

16 “Anthem Parties” means Webb, Developer, Citizens, TreatCo and DistCo.

17 “Authorizations” means permits, licenses, operating agreements, franchises, and
18 similar authorizations obtained from regulatory agencies and other governmental entities (including
19 cancellation of CC&Ns as contemplated by Section 1.3) and required by law to provide Retail

1 Water and Wastewater Services and to operate the Phoenix Distribution Facilities as contemplated
2 herein.

3 “Business Day” means any day other than a Saturday, Sunday or other day in which
4 banks in Phoenix, Arizona are required to close.

5 “CAP” means the Central Arizona Project.

6 “CAP Water” means water provided by the CAP.

7 “CAWCD” means the Central Arizona Water Conservation District.

8 “CAWCD/CAP Agreements” means an agreement between a Party and either
9 CAWCD or the United States regarding the Party’s right to divert water from CAWCD or CAP
10 facilities, respectively.

11 “CC&N” means certificate of convenience and necessity.

12 “Citizens” means Citizens Communications Company, a Delaware corporation
13 formerly known as Citizens Utilities Company.

14 “Commission” means the Arizona Corporation Commission.

15 “County” means Maricopa County, Arizona.

16 “County Area” means the portion of the Project presently located in the
17 unincorporated area of the County.

1 “Delivery Points” means (a) the TreatCo-to-Phoenix Potable Water Delivery Point,
2 (b) the Phoenix-to-TreatCo Potable Water Delivery Point, (c) the Phoenix-to-TreatCo Wastewater
3 Delivery Point, and (d) the TreatCo-to-Phoenix Non-Potable Water Delivery Point.

4 “Developer” means Anthem Arizona, L.L.C., an Arizona limited liability company
5 that is the successor by merger to The Villages at Desert Hills, Inc., an Arizona corporation.

6 “Developer Water Line Easement” has the meaning set forth in Section 11.3.

7 “DistCo” means Citizens Water Services Company of Arizona, an Arizona
8 corporation.

9 “Force Majeure” has the meaning set forth in Section 14.1.

10 “includes” and “including” denote a partial definition, by way of example or
11 illustration, and not by way of limitation.

12 “Infrastructure Agreement” has the meaning set forth in Recital D.

13 “LPTP” means the Lake Pleasant water treatment plant to be constructed, owned
14 and operated by Phoenix.

15 “MGD” means million gallons per day.

16 “means” denotes an exhaustive definition.

17 “Non-Potable Water” means surface water, recovered surface water and water from
18 any other source (including CAP Water) which is not suitable for human consumption and is
19 intended for construction, landscape irrigation or other purposes.

1 “Non-Potable Water Services” means distribution of Non-Potable Water.

2 “Party” and “Parties” means Phoenix and TreatCo and, solely for purposes of
3 Section 1.3 and Articles XIII and XIV, DistCo.

4 “Phoenix” means the City of Phoenix, Arizona.

5 “Phoenix Area” means the portion of the Project presently located in Phoenix,
6 comprising approximately 906 acres and depicted generally on Exhibit C.

7 “Phoenix City Code” means the Code of the City of Phoenix, as amended from time
8 to time.

9 “Phoenix Distribution Facilities” means all facilities to be constructed and located
10 within the Phoenix Area and required for Phoenix to provide Retail Water and Wastewater Services
11 within the Phoenix Area, including (a) the Potable Water distribution system, (b) Wastewater
12 collection system, and (c) the Non-Potable Water distribution system. Phoenix Distribution
13 Facilities does not include any lines, wells or other property belonging to TreatCo or its Affiliates.

14 “Phoenix-owned Delivery Points” has the meaning set forth in Section 3.2.2.

15 “Phoenix Non-Potable Water Treatment Facilities” means treatment and supply
16 facilities owned and used by Phoenix to supply Non-Potable Water to residents of Phoenix.

17 “Phoenix Potable Water Treatment Facilities” means treatment and supply facilities
18 owned and used by Phoenix to supply Potable Water to residents of Phoenix (including the UHTP
19 and the LPTP).

1 "Phoenix-to-TreatCo Wastewater Delivery Point" means the point where a meter
2 and valve is located near the boundary between the Phoenix Area and the County Area, at which
3 wastewater will be delivered by Phoenix to TreatCo as provided in Section 8.3.

4 "Phoenix-to-TreatCo Potable Water Delivery Point" means the point where a meter
5 and valve is located near the boundary between the Phoenix Area and the County Area, at which
6 Potable Water will be delivered by Phoenix to TreatCo as provided in Section 6.2.

7 "Phoenix Treatment Facilities" means the Phoenix Non-Potable Water Treatment
8 Facilities, the Phoenix Wastewater Treatment Facilities and the Phoenix Potable Water Treatment
9 Facilities. Phoenix Treatment Facilities does not include the Phoenix Distribution Facilities.

10 "Phoenix Wastewater Treatment Facilities" means treatment facilities owned and
11 used by Phoenix to treat Wastewater collected from residents of Phoenix.

12 "Phoenix Water Line Easement" has the meaning set forth in Section 11.3.

13 "Phoenix Water Supply" means water which Phoenix has the right to divert from the
14 CAWCD and CAP facilities pursuant to contract.

15 "Potable Water" means treated water that is fit for human consumption.

16 "Prime Rate" has the meaning set forth in Section 14.16.

17 "Project" means the community being developed in the County and in Phoenix as
18 provided in the Development Master Plan identified in Recital A and known as Anthem, the
19 location and boundaries of which are shown on Exhibit B.

1 "Recharge Credit" means CAP Water or other water (except effluent) stored by
2 TreatCo in the TreatCo Recharge/Recovery Facilities.

3 "Representative" has the meaning set forth in Section 1.2.1.

4 "Retail Non-Potable Water Service" means the transportation of Non-Potable Water
5 in distribution lines, operation and maintenance of those lines and valves, delivery of Non-Potable
6 Water to customers, and administration and billing of Non-Potable Water accounts.

7 "Retail Potable Water Service" means the transportation of Potable Water in
8 distribution lines, operation and maintenance of those lines and valves, delivery of Potable Water to
9 customers, and administration and billing of Potable Water accounts.

10 "Retail Wastewater Service" means collection of Wastewater from Wastewater
11 customers in distribution lines, operation and maintenance of those lines and manholes, and
12 administration and billing of Wastewater accounts.

13 "Retail Water and Wastewater Service" means Retail Potable Water Service, Retail
14 Wastewater Service, and Retail Non-Potable Water Service.

15 "TreatCo" means Citizens Water Resources Company of Arizona, an Arizona
16 corporation.

17 "TreatCo/DistCo Agreement" means the Water/Wastewater Purchase Agreement,
18 dated as of September 29, 1997, between TreatCo and DistCo, as amended from time to time.

19 "TreatCo-owned Delivery Point" has the meaning set forth in Section 3.2.2.

1 "TreatCo Recharge/Recovery Facilities" means the groundwater recharge and
2 recovery facilities owned, operated or used by TreatCo in the Phoenix Area, including any and all
3 (1) recovery wells, (2) lines connecting to the recovery wells, (3) lines through which TreatCo
4 delivers Non-Potable Water in or through the Phoenix Area, (4) land, permits, licenses, easements,
5 rights-of-way and other real property interests pertaining to the foregoing, and (5) easements
6 (including the Water Line Easement) granted by Developer, Phoenix or any homeowners'
7 association or other person with respect to the foregoing.

8 "TreatCo Services" has the meaning set forth in the Infrastructure Agreement.

9 "TreatCo System" means the "Facilities" defined in the Infrastructure Agreement
10 (being, generally, the Potable Water, Non-Potable Water, and Wastewater treatment, distribution
11 and collection facilities owned and operated by TreatCo and/or DistCo and located in the County
12 Area), but excluding the portion thereof to be located within the Phoenix Area.

13 "TreatCo-to-Phoenix Non-Potable Water Delivery Point" means the point where a
14 meter and valve is located near the boundary between the Phoenix Area and the County Area, at
15 which Non-Potable Water will be delivered by TreatCo to Phoenix pursuant to Section 10.2.

16 "TreatCo-to-Phoenix Potable Water Delivery Point" means the point where a meter
17 and valve is located near the boundary between the Phoenix Area and the County Area, at which
18 Potable Water will be delivered by TreatCo to Phoenix pursuant to Section 5.2.

19 "2005-2006 Period" has the meaning set forth Section 6.3.

20 "TreatCo Water Supply" means water which TreatCo has a right to divert from
21 CAWCD and the CAP facilities pursuant to terms of contracts with such entities.

1 “UHTP” means the Union Hills water treatment plant presently owned and operated
2 by Phoenix.

3 “United States” means the United States of America or any agency thereof.

4 “Wastewater” (whether or not capitalized) means wastewater, including any and all
5 elements, water and other compounds, impurities and other things in, comprising or derived from
6 that wastewater.

7 “Webb” means Del Webb Corporation, a Delaware corporation.

8 “Wholesale Non-Potable Water Service” means delivery of Non-Potable Water to
9 the TreatCo-to-Phoenix Non-Potable Water Delivery Point.

10 “Wholesale Potable Water Service” means delivery of Potable Water to a Delivery
11 Point of the retail water service provider.

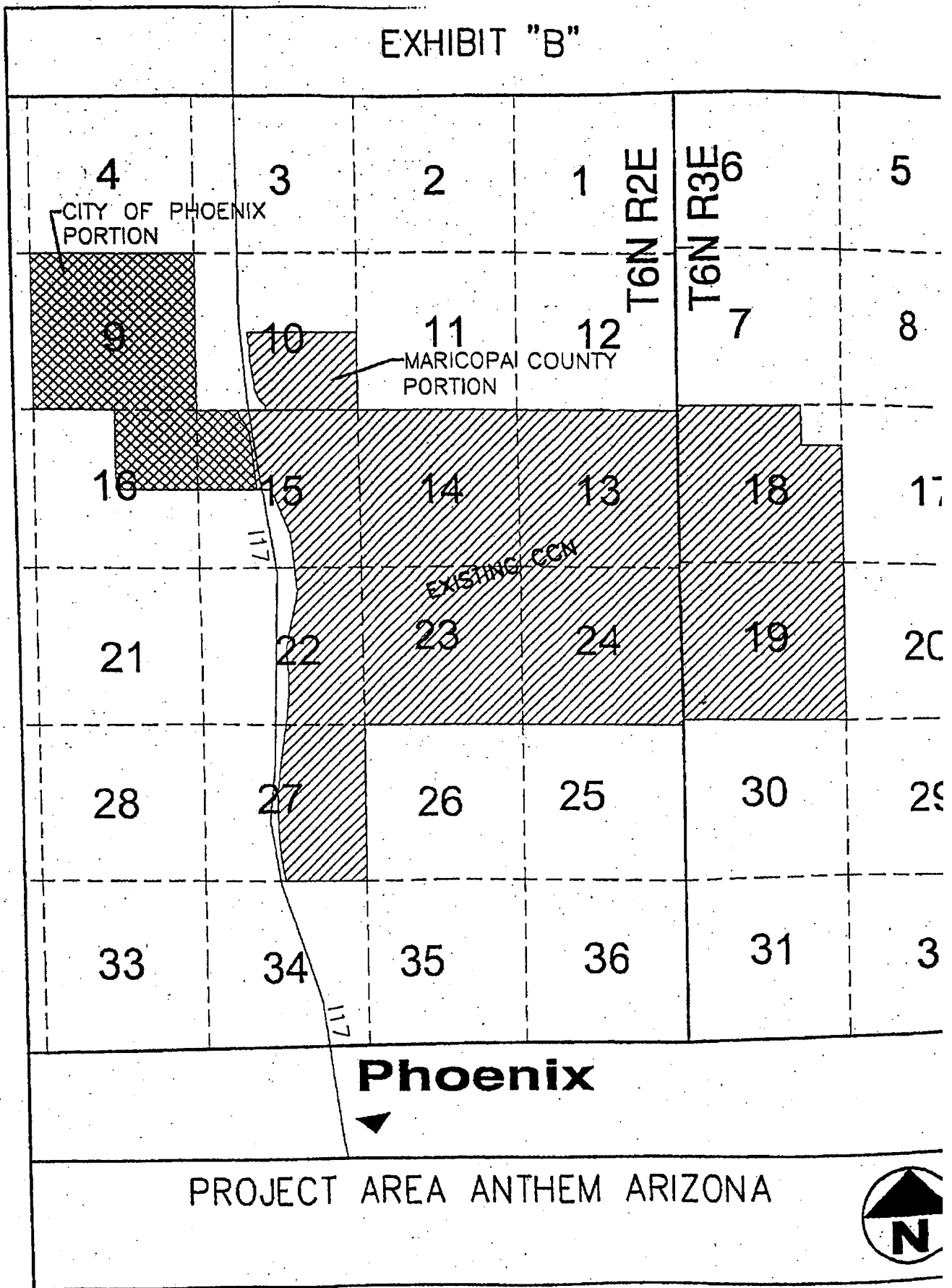
12 “Wholesale Wastewater Service” means acceptance of Wastewater at the Phoenix-
13 to-TreatCo Wastewater Delivery Point.

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EXHIBIT B
PROJECT LOCATION
[Attached]

EXHIBIT "B"



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EXHIBIT C
PHOENIX AREA
(INCLUDING DEPICTION OF APPROXIMATE
LOCATIONS OF DELIVERY POINTS AND OF
TREATCO'S RECHARGE/RECOVERY FACILITIES)

[Attached]

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EXHIBIT D

DESIGNATION OF REPRESENTATIVE

[LETTERHEAD OF PARTY]

[Date]

[Name and Address of Other Party]

Re: Anthem Wholesale Water/Wastewater Service Agreement dated as of
, 2000, between City of Phoenix and Citizens
Water Resources Company of Arizona (the "Agreement")

Dear [Other Party]:

Pursuant to Section 1.2.1 of the Agreement, the undersigned Party hereby designates the following individual(s) as its Representative(s) under the Agreement:

<u>Name</u>	<u>Specimen Signature</u>
_____	_____

Sincerely,

[Name of Party]

By: [Duly Authorized Officer]

1 **EXHIBIT E**

2 **WATER LINE EASEMENT FROM DEVELOPER**

3
4
5 **WHEN RECORDED, RETURN TO:**

6
7 Citizens Water Resources

8 P.O. Box 1687

9 Sun City, Arizona 85372-1687

10 Attn: Development Services Department

11 Project: Anthem Midsection Recharge

12 Line Road, 20

13

14 **AMENDED AND RESTATED WATER LINE EASEMENT***

15

16 In consideration of Ten Dollars (\$10.00), the receipt of which is hereby acknowledged,
17 ANTHEM ARIZONA, L.L.C., an Arizona limited liability company, hereinafter called "Grantor,"
18 does hereby grant and convey to CITIZENS WATER RESOURCES COMPANY OF ARIZONA,
19 an Arizona corporation, hereinafter called "Company," its successors and assigns, a perpetual
20 easement to construct, operate and maintain water lines and appurtenant facilities upon, across,
21 over and under the surface of the premises hereinafter described.

22 The premises through and across which this easement is granted are situated in Maricopa
23 County, Arizona and are described as follows:

24 See Exhibit "A" attached hereto and by reference made a part hereof.

25 Together with the right to operate, repair, replace, maintain, and remove said lines and
26 appurtenant facilities from said premises; to add or to alter said lines and/or facilities, with access to
27 said easement and egress therefrom to permit normal operations of the Company in connection
28 with said lines and/or facilities.

29 Grantor shall not erect or construct or permit to be erected or constructed any building or
30 other structure within the limits of said easement; provided, however, Grantor shall have the right
31 to construct and erect fences, to install landscaping, parking facilities and driveways, and to
32 establish other uses which are not inconsistent with the Company's uses within the limits of said
33 easement in a manner which will not unreasonably interfere with the Company's right of access to
34 its lines and/or facilities.

35 The provisions of Attachment I attached to this Water Line Easement constitute part of
36 this Water Line Easement, but are intended solely for the benefit of the City of Phoenix,
37 Arizona, an Arizona municipal corporation ("Phoenix"), pursuant to Section 11.3 of the Anthem
38 Wholesale Water/Wastewater Service Agreement between Phoenix and the Company (the

*This Amended and Restated Water Line Easement amends and restates the Water Line Easement dated January 26, 2000, executed by Grantor in favor of the Company and recorded on February 2, 2000, in the Official Records of the County Recorder of Maricopa County, Arizona, as Document No. 2000-0079903 (the "Original Easement").

1 "Agreement"), and are not for the benefit of Grantor, any of its successors or assigns, or any
2 other person; such provisions are enforceable solely by Phoenix, provided Phoenix is in
3 compliance with the Agreement; such provisions are not enforceable by Grantor, any of its
4 successors or assigns, or any other person. Grantor shall indemnify and hold the Company and
5 its successors and assigns harmless from and against any and all claims, losses, liabilities,
6 damages, fees, charges, expenses and costs (including costs and loss of revenue associated with
7 relocation) paid, incurred or suffered by the Company or its successors or assigns in connection
8 with any of the provisions of said Attachment.

9 By accepting this easement, and subject to Attachment I, the Company agrees to exercise
10 reasonable care to avoid damage to said premises and all property that may at any time be thereon
11 and that was erected and constructed in compliance with this Water Line Easement, is not
12 inconsistent with this Water Line Easement, and otherwise does not interfere with the Company's
13 right of access.

14 Dated: _____, 2000.

ANTHEM ARIZONA, L.L.C., an Arizona
limited liability company

15
16
17
18 By: _____
19 Nickolas A. Taratsas
20 Vice President -- Land Development

21 STATE OF ARIZONA)
22) ss.
23 County of Maricopa)
24

25 Before me this _____ day of _____, 2000, came
26 _____ personally known to me as Vice President-Land Development of
27 ANTHEM ARIZONA, L.L.C., an Arizona limited liability company, who has executed the
28 foregoing document as of the date written above.

29
30 My Commission expires:

Notary Public

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Stanley Consultants INC.

A Stanley Group Company
Engineering, Environmental and Construction Services - Worldwide

July 26, 2000

Del Webb's Anthem

Anthem Commerce Park 33.1 & 33.2

Access, Water and Recharge Line Easements

Page 1 of 7

EXHIBIT A TO AMENDED AND RESTATED WATER LINE EASEMENT

LEGAL DESCRIPTION

ACCESS, WATER AND RECHARGE LINE EASEMENTS

A parcel of land lying within the Northwest Quarter of Section 15 and the Northeast Quarter of Section 16, Township 6 North, Range 2 East, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

EASEMENT #1

Beginning at a point in the easterly right-of-way line of "41st Drive", shown on the Map of Dedication for "41st Drive", recorded in Book 501 of Maps, Page 05, Maricopa County Records, said Point being designated POINT "A";

Thence N 00°10'53" W, with said easterly right-of-way line a distance of 1.82 feet;

Thence S 89°57'37" E 32.08 feet;

Thence S 45°10'52" E 38.33 feet to a point on the North line of a 30' wide Public Utilities Easement shown on said Map of Dedication for "41st Drive";

Thence N 89°57'37" W 17.04 feet along said North line;

Thence N 45°10'52" W 21.30 feet;

Thence N 89°57'37" W 7.07 feet to the right-of-way line of said "41 st Drive" as recorded in Book 537, Page 26, M.C.R.;

Thence with said right-of-way line the following courses and distances:

N 00°02'24" E 0.22 feet;

N 89°57'36" W 10.03 to the beginning of a tangent curve, concave northeasterly, having a radius of 10.00 feet;

Thence Northwesterly 15.70 feet along the arc of said curve through a central angle of

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July 26, 2000
Del Webb's Anthem
Anthem Commerce Park 33.1 & 33.2
Access, Water and Recharge Line Easements
Page 2 of 7

89°57'36" to said designated POINT "A" and the POINT OF BEGINNING.

AND

EASEMENT #2

Beginning at a point that is the westerly terminus of the northerly right-of-way line of "41st Drive", shown on the Map of Dedication for "41st Drive", recorded in Book 501 of Maps, Page 05, Maricopa County Records, said Point being on the north right of way of Opportunity Way as recorded in Book 537, page 26, M.C.R., designated POINT "B";

Thence N 89°57'37" W along said right of way 371.38 feet;

Thence N 87°05'53" W along said right of way 200.25 feet;

Thence N 89°57'37" W along said right of way 139.38 feet;

Thence N 45°13'40" W 17.05 feet to a point on the easterly right of way of Vision Way as recorded in said Book 537, page 26, M.C.R.;

Thence S 89°57'37" E along said right of way 151.79 feet ;

Thence S 87°05'53" E 200.25 feet;

Thence S 89°57'37" E 397.47 feet to a point on the Westerly right of way of said "41st Drive", said point being the beginning of a non-tangent curve, concave Northwesterly, to which point a radial line bears South 48°52'41" East;

Thence Southwesterly 29.88 feet along the arc of a said curve, having a radius of 35.00 feet, through a central angle of 48°55'04" to designated POINT "B" and the POINT OF BEGINNING.

AND

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July 26, 2000
Del Webb's Anthem
Anthem Commerce Park 33.1 & 33.2
Access, Water and Recharge Line Easements
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EASEMENT #3

Commencing at a point that is the westerly terminus of the southerly right of way of "41st Drive", shown on the Map of Dedication for "41st Drive", recorded in Book 501 of Maps, Page 05, Maricopa

Thence S 89°57'37" E 115.16 feet to a Point that is the southeast corner of "41st Drive" as recorded in Book 537, Page 26, M.C.R., said point being designated POINT "C", the POINT OF BEGINNING;

Thence N 00°02'24" E along said right of way a distance of 0.68 feet;

Thence N 67°21'07" E 37.12 feet to a point on the South line of a 30' wide Public Utilities Easement shown on said Map of Dedication for "41st Drive";

Thence S 89°57'37" E 31.11 feet along said South line;

Thence S 67°21'07" W departing said line 70.00 feet;

Thence N 89°57'37" W 487.01 feet;

Thence S 87°10'38" W 200.25 feet;

Thence N 89°57'37" W 150.80 feet to a point on the easterly right of way of Vision Way as recorded in said Book 537, Page 26, M.C.R.;

Thence N 44°45'59" E along said right of way 16.89 feet to a point on the south right of way of Opportunity Way as shown in said Book 537, page 26, M.C.R.;

Thence S 89°57'37" E along said right of way 138.62 feet;

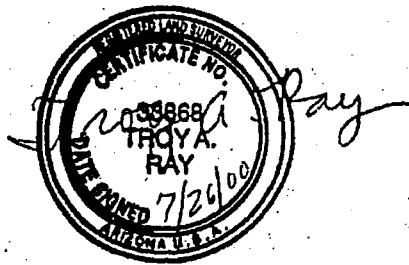
Thence N 87°10'38" E along said right of way 200.25 feet;

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July 26, 2000
Del Webb's Anthem
Anthem Commerce Park 33.1 & 33.2
Access, Water and Recharge Line Easements
Page 4 of 7

Thence S 89°57'37" E along said right of way 486.54 feet to designated POINT "C" and the
POINT OF BEGINNING.





Stanley Consultants INC.

A Stanley Group Company
Engineering, Environmental and Construction Services - Worldwide

July 26, 2000

Del Webb's Anthem

Anthem Commerce Park 33.1 & 33.2

Access, Water and Recharge Line Easements

Page 5 of 7

LEGAL DESCRIPTION ACCESS, WATER AND RECHARGE LINE EASEMENT

A parcel of land lying within the Northwest Quarter of Section 15 and the Northeast Quarter of Section 16, Township 6 North, Range 2 East, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

EASEMENT #4

Commencing at the center of said Section 16;

Thence N 00°12'16" E, with the West line of the Northeast Quarter of said Section 16 a distance of 40.00 feet to a point designated as POINT "D", the POINT OF BEGINNING ;

Thence N 00°12'16" E 2,599.42 feet along said N-S mid-Section line to the North Quarter Corner of said Section 16;

Thence S 89°42'07" E 25.00 feet along the North line of said Section 16 to a point on a line parallel with and 25.00 feet Easterly of said N-S mid-Section line;

Thence S 00°12'16" W 2,565.13 feet along said parallel line;

Thence S 44°41'19" E 17.39 feet to a point on a line parallel with and 62.00 feet Northerly of the South line of the Northeast Quarter of said Section 16;

Thence S 89°41'19" E 1,530.45 feet along said parallel line to the beginning of a tangent curve, concave Northwesterly, having a radius of 938.00 feet;

Thence Northeasterly 298.65 feet along the arc of said curve, through a central angle of 18°14'32";

Thence S 63°31'33" E 14.21 feet to the beginning of a non-tangent curve, concave Northwesterly, to which point a radial line bears South 18°32'40" East;

Thence Northeasterly 240.62 feet along the arc of a said curve, having a radius of 948.00 feet, through a central angle of 14°32'34";

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July 26, 2000
Del Webb's Anthem
Anthem Commerce Park 33.1 & 33.2
Access, Water and Recharge Line Easements
Page 6 of 7

Thence N 56°54'46" E 254.14 feet to the beginning of a tangent curve, concave Southeasterly, having a radius of 1052.00 feet;

Thence Northeasterly 608.24 feet along the arc of said curve, through a central angle of 33°07'37";

Thence S 89°57'37" E 265.38 feet to a point on the westerly right of way of Vision Way as recorded in Book 537, page 26, M.C.R.;

Thence S 44°01'26" W 16.68 feet to a point on the north line of Opportunity Way as recorded in said Book 537, Page 26, M.C.R.;

Thence N 89°57'37" W along said right of way 253.79 feet to the beginning of a tangent curve, concave Southeasterly, having a radius of 1,040.00 feet;

Thence Southwesterly 601.30 feet along the arc of said curve, through a central angle of 33°07'37";

Thence S 56°54'46" W 254.14 feet to the beginning of a tangent curve, concave Northwesterly, having a radius of 960.00 feet;

Thence southwesterly 234.48 feet along the arc of said curve, through a central angle of 13°59'39";

Thence S 18°49'22" E 63.99 feet;

Thence S 64°05'58" E 22.48 feet to the beginning of a non-tangent curve, concave Northwesterly, to which point a radial line bears South 19°57'09" East;

Thence Northeasterly 238.42 feet along the arc of a said curve, having a radius of 1,040.00 feet, through a central angle of 13°08'05";

Thence N 56°54'46" E 254.14 feet to the beginning of a tangent curve, concave Southeasterly, having a radius of 960.00 feet;

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July 26, 2000
Del Webb's Anthem
Anthem Commerce Park 33.1 & 33.2
Access, Water and Recharge Line Easements
Page 7 of 7

Thence Northeasterly 555.05 feet along the arc of said curve, through a central angle of 33°07'37" to a point on the south right of way of said Opportunity Way;

Thence S 89°57'37" E along said right of way 254.73 feet;

Thence S 45°31'22" E 17.14 feet to a point on the west right of way of said Vision Way;

Thence N 89°57'37" W departing said right of way 266.97 feet to the beginning of a tangent curve, concave Southeasterly, having a radius of 948.00 feet;

Thence Southwesterly 548.11 feet along the arc of said curve, through a central angle of 33°07'37";

Thence S 56°54'46" W 254.14 feet to the beginning of a tangent curve, concave Northwesterly, having a radius of 1,052.00 feet;

Thence Southwesterly 246.25 feet along the arc of said curve, through a central angle of 13°24'43";

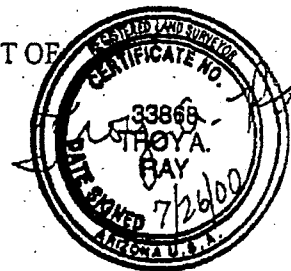
Thence N 64°05'58" W 32.55 feet;

Thence N 18°49'22" W 54.03 feet;

Thence N 63°31'33" W 21.40 feet to the beginning of a non-tangent curve, concave Northwesterly, to which point a radial line bears South 17°28'42" East;

Thence Southwesterly 298.07 feet along the arc of a said curve, having a radius of 960.00 feet, through a central angle of 17°47'23";

Thence N 89°41'19" W 1567.68 feet to designated POINT "C" and the POINT OF BEGINNING.

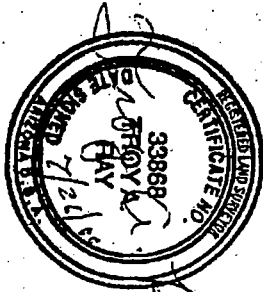
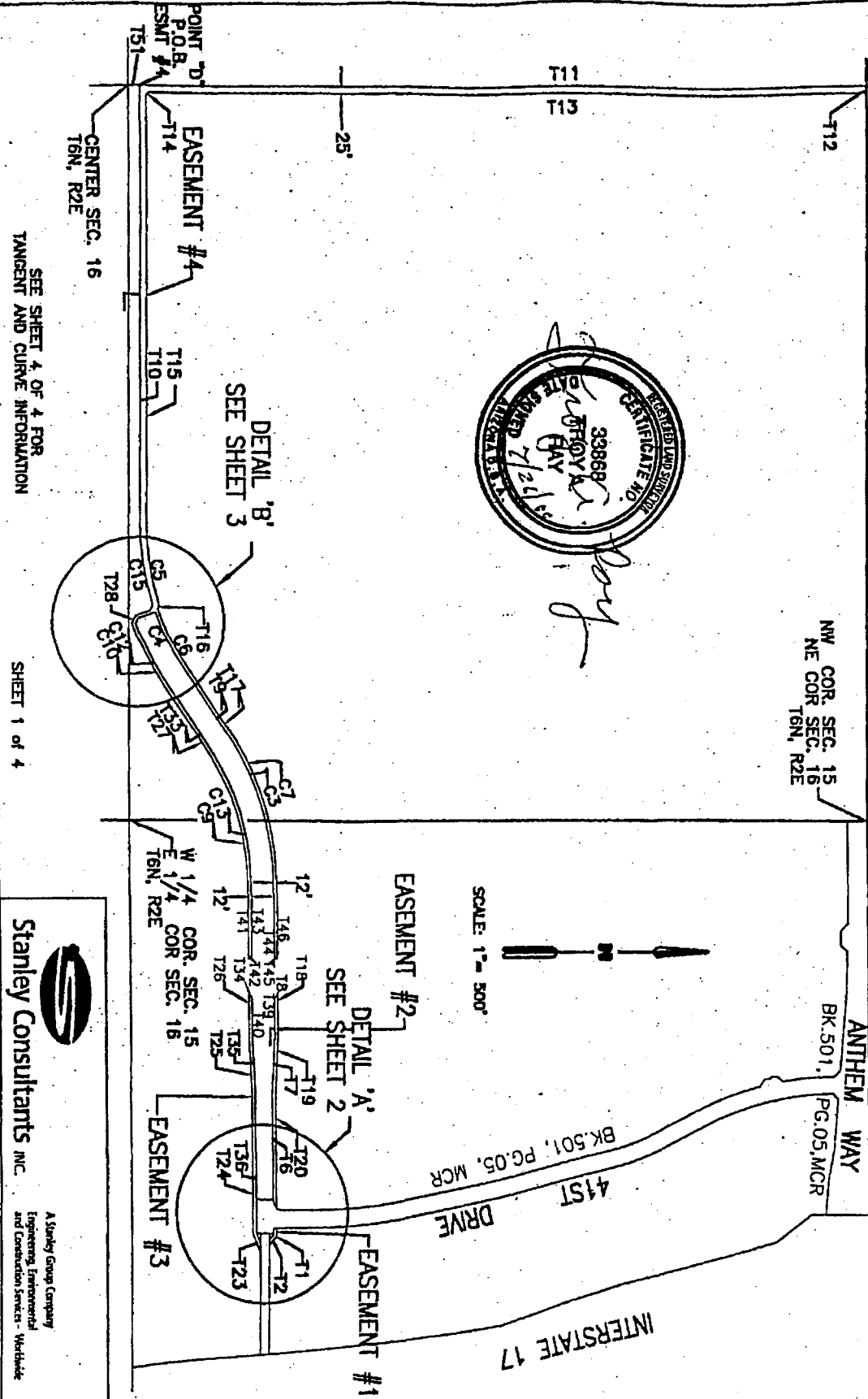


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BY DEL WEBB

EXHIBIT TO ACCOMPANY LEGAL DESCRIPTION
ACCESS, WATER AND RECHARGE LINE EASEMENT
LOCATED IN SECTIONS 15 & 16, T6N, R2E



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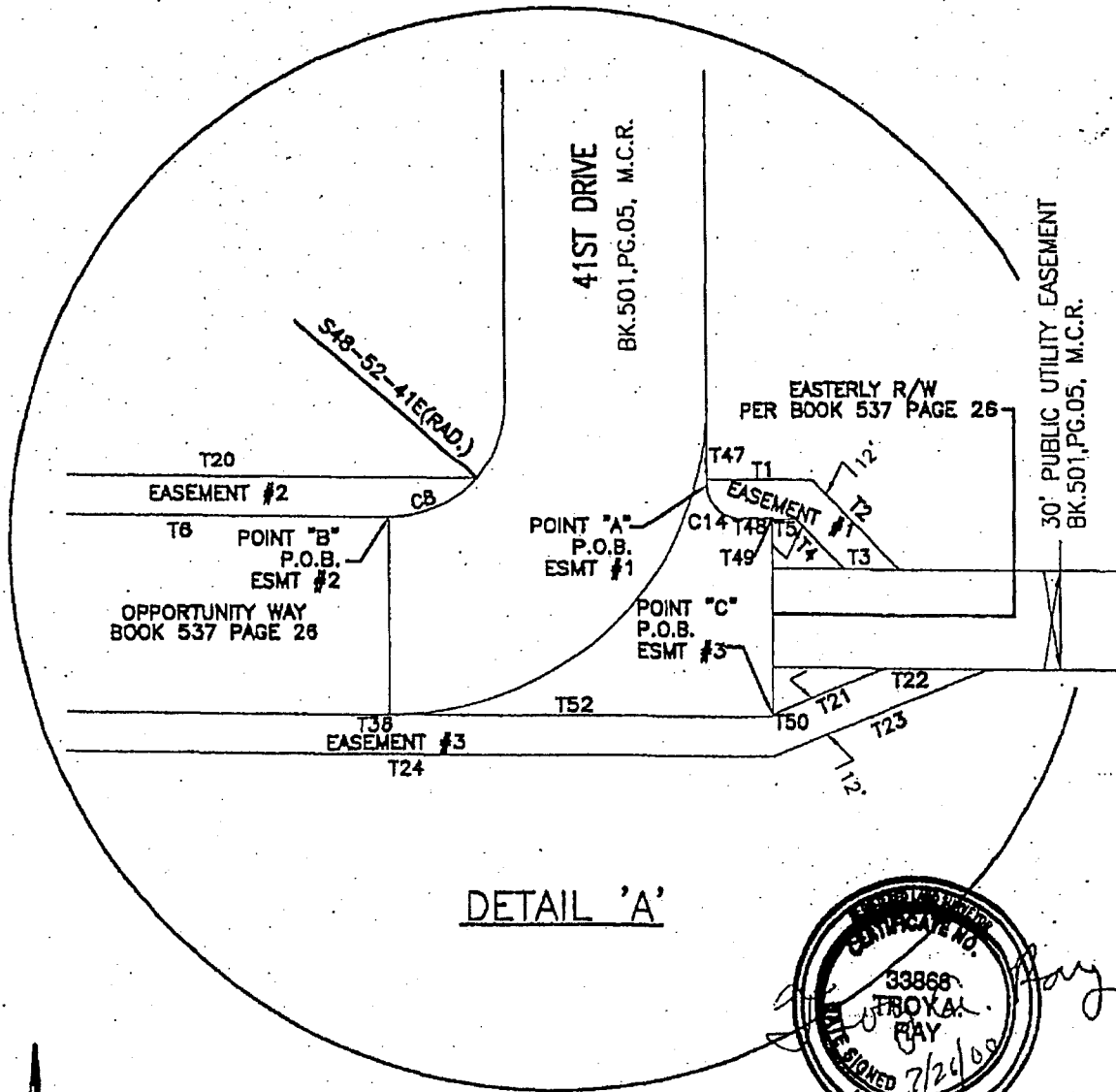


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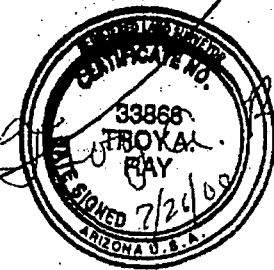
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BY DEL WEBB

EXHIBIT TO ACCOMPANY LEGAL DESCRIPTION
ACCESS, WATER AND RECHARGE LINE EASEMENT
LOCATED IN SECTIONS 15 & 16, T6N, R2E



DETAIL 'A'



SCALE: 1" = 50'

SEE SHEET 4 OF 4 FOR
TANGENT AND CURVE INFORMATION
SHEET 2 of 4

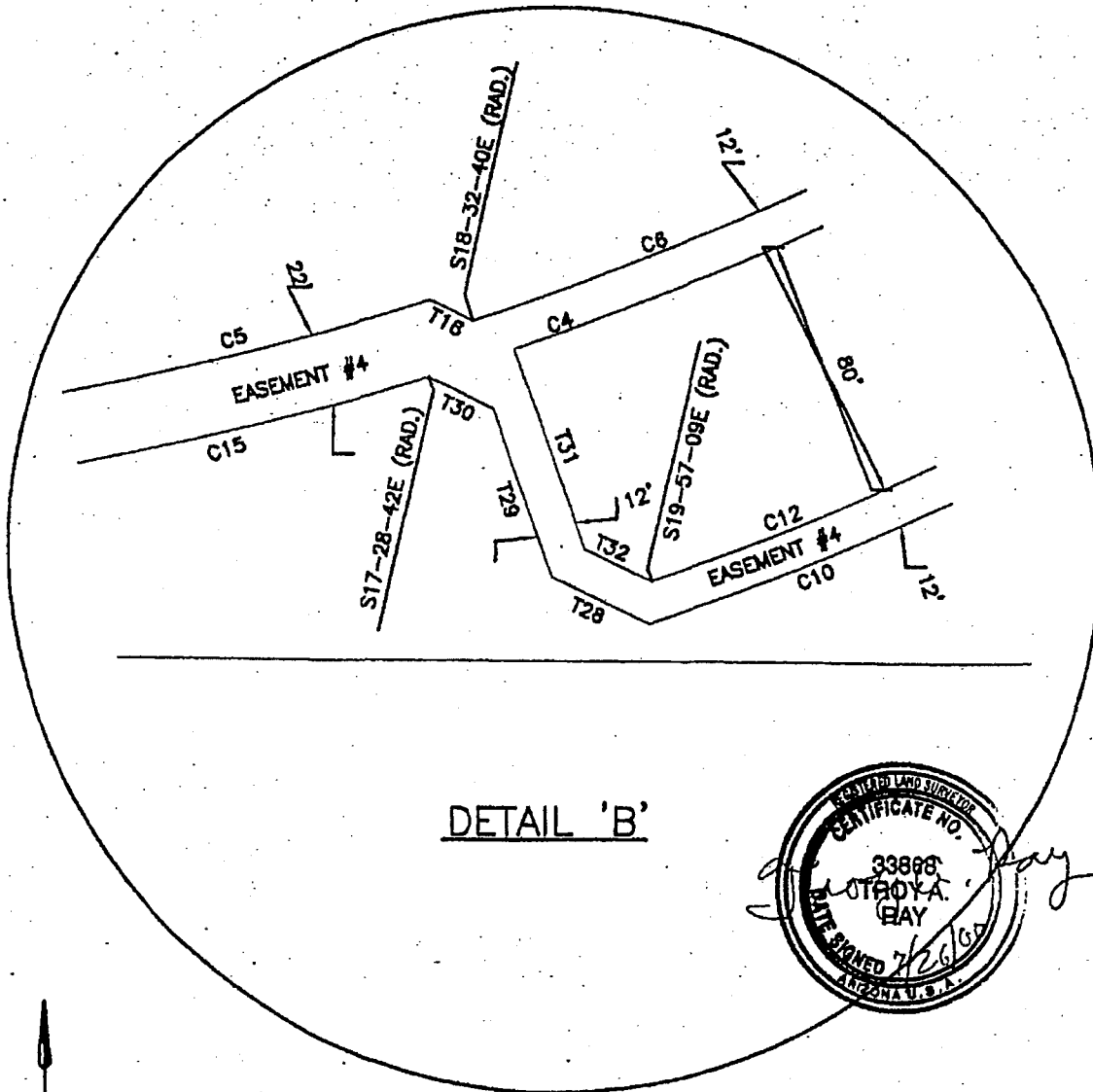

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EXHIBIT TO ACCOMPANY LEGAL DESCRIPTION
ACCESS, WATER AND RECHARGE LINE EASEMENT
LOCATED IN SECTIONS 15 & 16, T6N, R2E



DETAIL 'B'



SCALE: 1"= 50'

SEE SHEET 4 OF 4 FOR
TANGENT AND CURVE INFORMATION
SHEET 3 of 4


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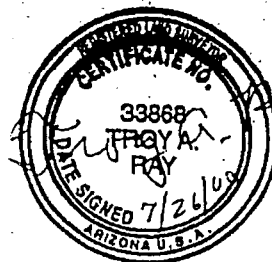


BY DEL WEBB

EXHIBIT TO ACCOMPANY LEGAL DESCRIPTION
ACCESS, WATER AND RECHARGE LINE EASEMENT
LOCATED IN SECTIONS 15 & 16, T6N, R2E

TANGENT TABLE

T1	S89-57-37E	32.08	T45	S44-01-26W	16.68
T2	S45-10-52E	38.33	T46	S89-57-37E	265.38
T3	N89-57-37W	17.04	T47	N00-10-53W	1.82
T4	N45-10-52W	21.30	T48	S89-57-36E	10.03
T5	N89-57-37W	7.07	T49	N00-02-24E	0.22
T6	N89-57-37W	371.38	T50	N00-02-24E	0.68
T7	N87-05-53W	200.25	T51	N00-12-16E	40.00
T8	N45-13-40W	17.05	T52	S89-57-37E	115.18
T9	S56-54-46W	254.14			
T10	N89-41-19W	1567.68			
T11	N00-12-16E	2599.42			
T12	S89-42-07E	25.00			
T13	S00-12-16W	2565.13			
T14	S44-41-19E	17.39			
T15	S89-41-19E	1530.45			
T16	S63-31-33E	14.21			
T17	N56-54-46E	254.14			
T18	S89-57-37E	151.79			
T19	S87-05-53E	200.25			
T20	S89-57-37E	397.47			
T21	N87-21-07E	37.12			
T22	S89-57-37E	31.11			
T23	S67-21-07W	70.00			
T24	N89-57-37W	487.01			
T25	S87-10-38W	200.25			
T26	N89-57-37W	150.80			
T27	S56-54-46W	254.14			
T28	N64-05-58W	32.55			
T29	N18-49-22W	54.03			
T30	N63-31-33W	21.40			
T31	S18-49-22E	63.99			
T32	S64-05-58E	22.48			
T33	N56-54-46E	254.14			
T34	N44-45-59E	16.89			
T35	N87-10-38E	200.25			
T36	S89-57-37E	486.54			
T39	N89-57-37W	139.38			
T40	S89-57-37E	138.62			
T41	N89-57-37W	266.97			
T42	S45-31-22E	17.14			
T43	S89-57-37E	254.73			
T44	N89-57-37W	253.79			



CURVE TABLE

C3	Radius = 1040.00	Arc = 601.30	Delta = 33-07-37
C4	Radius = 960.00	Arc = 234.48	Delta = 13-59-39
C5	Radius = 938.00	Arc = 298.65	Delta = 18-14-32
C6	Radius = 948.00	Arc = 240.62	Delta = 14-32-34
C7	Radius = 1052.00	Arc = 608.24	Delta = 33-07-37
C8	Radius = 35.00	Arc = 29.88	Delta = 48-55-04
C9	Radius = 948.00	Arc = 548.11	Delta = 33-07-37
C10	Radius = 1052.00	Arc = 246.25	Delta = 13-24-43
C12	Radius = 1040.00	Arc = 238.42	Delta = 13-08-05
C13	Radius = 960.00	Arc = 555.05	Delta = 33-07-37
C14	Radius = 10.00	Arc = 15.70	Delta = 89-57-36
C15	Radius = 960.00	Arc = 298.07	Delta = 17-47-23

SHEET 4 of 4



Stanley Consultants INC.

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ATTACHMENT I TO WATER LINE EASEMENT

4

Conditions and Restrictions
(for Benefit of City of Phoenix)

5

6

for

7

Water Line Easement

8

1. Initial Location of Lines. The water line and appurtenances to be constructed, installed, operated and maintained will be so located or relocated as to interfere as little as possible with traffic or other authorized uses over, under or through any existing or future streets, avenue, alleys, highways, bridges, and other public rights-of-way dedicated, deeded or granted to the City of Phoenix ("City") for public use within the same location as the Water Line Easement ("Public Streets"). Those phases of construction relating to traffic control, backfilling, compaction and paving, as well as the location or relocation of said water line, will be subject to regulation by the Council of the City of Phoenix.

16

2. Assistance to City in Identifying the Location of Lines. If, during the design process for public improvements by Phoenix, the City Engineer discovers a potential conflict with the Company's proposed construction, the Company will either: (a) locate and, if necessary, expose its facilities in conflict or (b) at the election of the Company, use a location service under contract with the City to locate or expose its facilities. The Company will reimburse the City for the cost resulting from an election to use a location service as provided in clause (b) of the foregoing sentence. The City will make every reasonable effort to design and construct City projects pursuant to this section so as to avoid relocation expense to the Company. The Company agrees to furnish the location information in a timely manner, but in no case longer than 30 days.

1 3. Scope of City Right.

2 (a) The City will have the prior and superior right to lay, construct, erect, install, use,
3 operate, repair, replace, remove, relocate, regrade, widen, realign, or maintain any Public Street for
4 all public purposes, including water mains, traffic control conduits, cable and device, sanitary or
5 storm sewers, subways, tunnels, bridges, viaducts, or any other public construction within the Water
6 Line Easement as and to the extent provided in this Section 3.

7 (b) If, during the course of a City project, the City determines the Company's facilities
8 are in conflict after the procedures set forth in Section 2 have been followed, the following will
9 apply:

10 (i) Prior to City's Notice to Proceed to Contractor:

11 The Company will, within a reasonable time, but in no event exceeding 6
12 months, relocate the conflicting facility within the Water Line Easement. This time period will
13 begin running upon receipt by the Company of written notice from the City. However, if both
14 the City and the Company agree, the time frame may be extended based on the requirements of
15 the project.

16 (ii) Subsequent to City's Notice to Proceed to Contractor:

17 If the conflicting public purpose project of the City is necessary to remedy
18 an unforeseen and continuing public emergency, the City and the Company will immediately
19 begin the coordination necessary to relocate the facility within the Water Line Easement. Actual
20 construction of such relocation will begin no later than 72 hours, if practicable, after written
21 notification from the City of the conflict.

22 (c) When the City uses its prior superior right to the Public Street as provided in this
23 Section, the Company will move its property that is located in the public street, at its own cost, to

1 such a location within the Water Line Easement as the City directs. Notwithstanding the foregoing,
2 in the event the public purpose project is paid for totally or in part by non-public funds, then the
3 Company's costs of moving its property will be borne by the source of the non-public funds in the
4 same ratio as the non-public funds bear to the total project cost.

5 4. Notice for Company Work. The Company agrees to notify the City prior to removing,
6 abandoning, relocating or reconstructing, if necessary, any portion of its water line.
7 Notwithstanding the foregoing, there may be instances when the Company is required to make
8 repairs in compliance with federal and/or state codes that are of an emergency nature. In that case,
9 the Company will notify the City prior to such repairs, if practicable.

10 5. Restoration of Streets by Company. If, in the installation, use or maintenance of the
11 water line, the Company damages or disturbs the surface or subsurface of any Public Street or
12 public improvement located thereon, therein, or thereunder, the Company will promptly, at its own
13 expense, and in a manner acceptable to the City, restore the surface or subsurface of the Public
14 Street or public property (or repair or replace the public improvement) thereon, therein, or
15 thereunder, in as good a condition as before such damage or disturbance. If such restoration, repair
16 or replacement of the surface, subsurface or any structure located thereon, therein, or thereunder the
17 Public Street is not completed within a reasonable time, or such repair or replacement does not meet
18 the City's duly adopted standards, the City will have the right to perform the necessary restoration,
19 repair, or replacement, either through its own personnel or through a hired contractor, and the
20 Company agrees to reimburse the City for its reasonable and necessary expenses in so doing within
21 30 days after its receipt of the City's invoice therefor.

22 6. Reimbursement by Company for Reduced Useful Life of Street. The Company
23 agrees to reimburse the City for all reasonable and necessary costs arising from the reduction in the

1 service life of any public street, to the extent required by City ordinance, resulting from pavement
2 cuts of the Company. The Company agrees to pay such costs within 30 days from the date of
3 issuance of an invoice from the City for such costs.

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EXHIBIT F

**WATER LINE EASEMENT
FROM PHOENIX AS TO "GAPS"**

WHEN RECORDED, RETURN TO:

Citizens Water Resources
P.O. Box 1687
Sun City, Arizona 85372-1687
Attn: Development Services Department
Project: Anthem Midsection Recharge
Line Road, 20

WATER LINE EASEMENT

In consideration of Ten Dollars (\$10.00), the receipt of which is hereby acknowledged, CITY OF PHOENIX, ARIZONA, an Arizona municipal corporation, hereinafter called "Grantor," does hereby grant and convey to CITIZENS WATER RESOURCES COMPANY OF ARIZONA, an Arizona corporation, hereinafter called "Company," its successors and assigns, a perpetual easement to construct, operate and maintain water lines and appurtenant facilities upon, across, over and under the surface of the premises hereinafter described.

The premises through and across which this easement is granted are situated in Maricopa County, Arizona and are described as follows:

See Exhibit "A" attached hereto and by reference made a part hereof.

Together with the right to operate, repair, replace, maintain, and remove said lines and appurtenant facilities from said premises; to add or to alter said lines and/or facilities, with access to said easement and egress therefrom to permit normal operations of the Company in connection with said lines and/or facilities.

Grantor shall not erect or construct or permit to be erected or constructed any building or other structure within the limits of said easement; provided, however, Grantor shall have the right to construct and erect fences, to install landscaping, parking facilities and driveways, and to establish other uses which are not inconsistent with the Company's uses within the limits of said easement in a manner which will not unreasonably interfere with the Company's right of access to its lines and/or facilities.

The provisions of Attachment I attached to this Water Line Easement constitute part of this Water Line Easement, but are intended solely for the benefit of Grantor pursuant to Section 11.3 of the Anthem Wholesale Water/Wastewater Service Agreement between Grantor and the Company (the "Agreement"), and are not for the benefit of any other person; such provisions are enforceable solely by Grantor, provided Grantor is in compliance with the Agreement; such provisions are not enforceable by any other person.

1 By accepting this easement, and subject to Attachment I, the Company agrees to exercise
2 reasonable care to avoid damage to said premises and all property that may at any time be
3 thereon and that was erected and constructed in compliance with this Water Line Easement, is
4 not inconsistent with this Water Line Easement, and otherwise does not interfere with the
5 Company's right of access.

6 Dated: September _____, 2000.

CITY OF PHOENIX, ARIZONA

By: Frank Fairbanks, City Manager

By: _____
His duly authorized representative

14 ATTEST: _____
15 City Clerk

18 APPROVED AS TO FORM:

22 _____
City Attorney

25 STATE OF ARIZONA)
26) ss.
27 County of Maricopa)

29 Before me this _____ day of _____, 2000, came
30 _____ personally known to me as the representative of the City
31 Manager of the CITY OF PHOENIX, ARIZONA, an Arizona municipal corporation, who has
32 executed the foregoing document as of the date written above.

35 My Commission expires:

Notary Public


Stanley Consultants INC. **EXHIBIT A**
TO
WATER LINE EASEMENT

A Stanley Group Company
Engineering, Environmental and Construction Services - Worldwide

July 27, 2000
Del Webb's Anthem
Vision Way
Access, Water, & Recharge
Easement
Page 1 of 1

LEGAL DESCRIPTION

A portion of land lying within the Right of Way of Vision Way, as shown on the Final Plat for Anthem Commerce Park 33.2, recorded in Book 537, Page 26 of Maricopa County Records, being in the Northwest Quarter of Section 15, Township 6 North, Range 2 East of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

BEGINNING at the Southeast corner of Lot 30, Anthem Commerce Park 33.2, said point also being the Northwest intersection of the West Right of Way of Vision Way, and the North Right of Way of Opportunity Way, as shown on said Final Plat for Anthem Commerce Park 33.2;

Thence N 44°46'05" E along said West Right of Way of Vision Way, and the East line of said Lot 30, a distance of 16.89 feet;

Thence S 89°57'37" E leaving said West Right of Way, a distance of 128.00 feet to a point on the East Right of Way of said Vision Way, said point also being on the West line of Lot 8, Anthem Commerce Park 33.2;

Thence S 45°13'55" E along said East Right of Way, and the West line of said Lot 8, a distance of 17.05 feet;

Thence N 89°57'37" W leaving said East Right of Way, and the West line of said Lot 8, a distance of 152.00 feet, to the POINT OF BEGINNING.



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BY DEL WEBB
EXHIBIT TO ACCOMPANY
LEGAL DESCRIPTION

ANTHEM COMMERCE
PARK 33.2
LOT 30

N44°46'05"E

16.89'

S89°57'37"E

128.00'

N89°57'37"W

152.00'

P.O.B.
12' ACCESS, WATER &
RECHARGE EASEMENT
(DOC#00-0079903)
(TO BE RE-RECORDED)

OPPORTUNITY WAY

12' ACCESS, WATER &
RECHARGE EASEMENT

S45°13'55"E

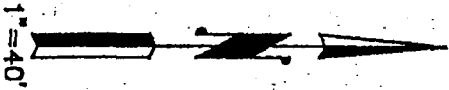
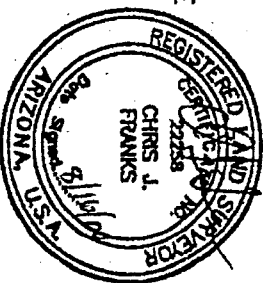
17.05'

12' ACCESS, WATER &
RECHARGE EASEMENT
(DOC#00-0079903)
(TO BE RE-RECORDED)

ANTHEM COMMERCE
PARK 33.2
LOT 8

ANTHEM COMMERCE
PARK 33.2
LOT 31

ANTHEM COMMERCE
PARK 33.2
LOT 7



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Engineering, Environmental and Construction Services - Worldwide.

July 27, 2000
Del Webb's Anthem
41st Drive
Access, Water, & Recharge
Easement
Page 1 of 1

LEGAL DESCRIPTION

A portion of land lying within the Right of Way of 41st Drive, as shown on the Final Plat for Anthem Commerce Park 33.2, recorded in Book 537, Page 26 of Maricopa County Records, being in the Northwest Quarter of Section 15, Township 6 North, Range 2 East of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

BEGINNING at the Southeast corner of Lot 10, as shown on said Final Plat for Anthem Commerce Park 33.2, said point also being the intersection of the West Right of Way of said 41st Drive, and the North Right of Way of Opportunity Way;

Thence 29.88 feet along the arc of a non-tangent curve to the left, from which point a radial line bears N 00°02'23" E, and along said West Right of Way, having a radius of 35.00 feet, through a central angle of 48°55'04", and a chord bearing N 65°34'51" E;

Thence S 89°57'37" E a distance of 68.71 feet to a point on the East Right of Way of said 41st Drive;

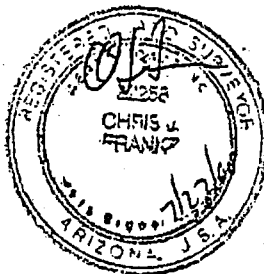
Thence S 00°10'53" E along said East Right of Way, a distance of 1.82 feet;

Thence 15.70 feet along the arc of a curve to the left, and along said East Right of Way, having a radius of 10.00 feet, through a central angle of 89°57'47", and a chord bearing S 45°09'38" E;

Thence S 89°57'36" E along said East Right of Way, a distance of 10.03 feet;

Thence S 00°02'24" W along said East Right of Way, a distance of 0.22 feet;

Thence N 89°57'37" W leaving said East Right of Way, a distance of 115.16 feet, to the POINT OF BEGINNING.



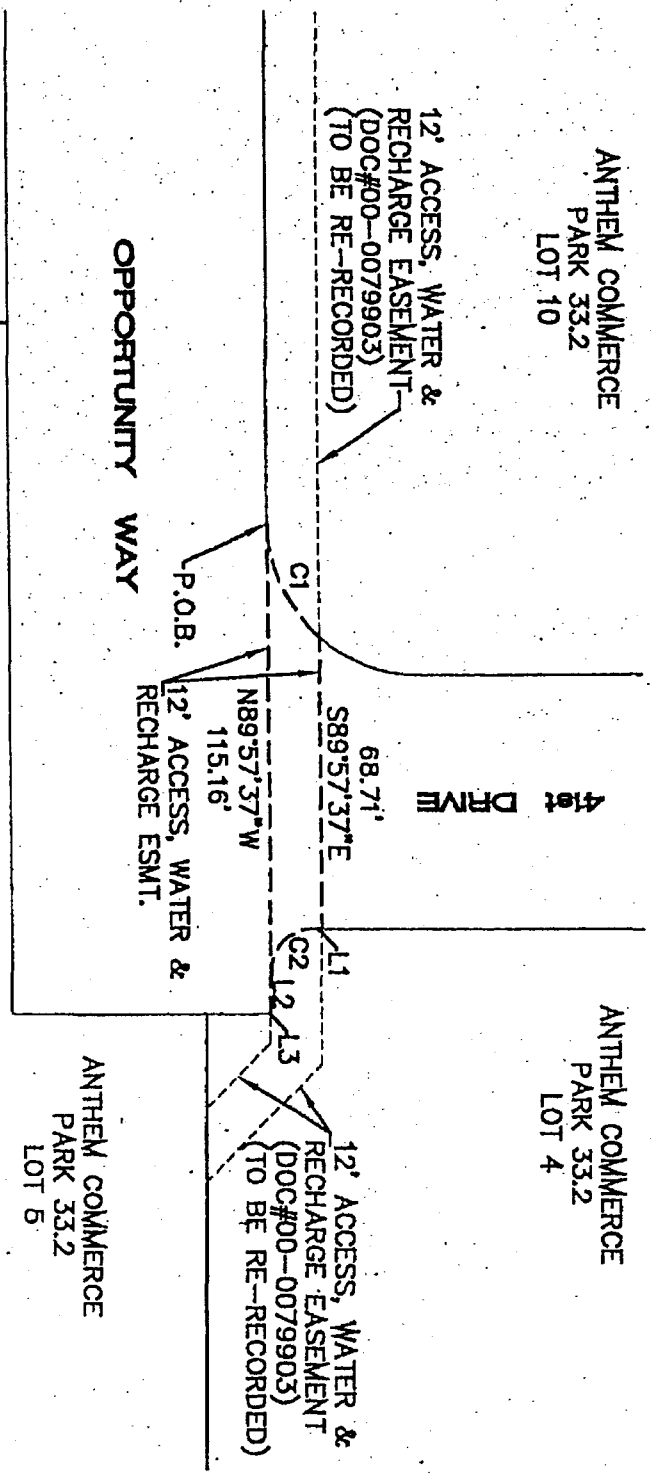
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anthem

BY DEL WEBB
EXHIBIT TO ACCOMPANY
LEGAL DESCRIPTION

ANTHEM COMMERCE
PARK 33.2
LOT 10

ANTHEM COMMERCE
PARK 33.2
LOT 4



ANTHEM COMMERCE
PARK 33.2
LOT 6

ANTHEM COMMERCE
PARK 33.2
LOT 5

LINE	BEARING	LENGTH
L1	S00°10'53"E	1.82'
L2	S89°57'36"E	10.03'
L3	S00°02'24"W	0.22'

CURVE	RADIUS	LENGTH	DELTA	CH. BEARING
C1	35.00'	29.88'	48°55'04"	N65°34'51"E
C2	10.00'	15.70'	89°57'47"	S45°09'38"E



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Stanley Consultants INC.

A Stanley Group Company
Engineering, Environmental and Construction Services - Worldwide

July 27, 2000

Del Webb's Anthem

Vision Way

Access, Water, & Recharge

Easement

Page 1 of 1

LEGAL DESCRIPTION

A portion of land lying within the Right of Way of Vision Way, as shown on the Final Plat for Anthem Commerce Park 33.2, recorded in Book 537, Page 26 of Maricopa County Records, being in the Northwest Quarter of Section 15, Township 6 North, Range 2 East of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

BEGINNING at Northeast corner of Lot 31, Anthem Commerce Park 33.2, said point also being the intersection of the West Right of Way of Vision Way, and the South Right of Way of Opportunity Way, as shown on said Final Plat for Anthem Commerce Park 33.2;

Thence S 89°57'37" E a distance of 152.00 feet to a point being the intersection of the East Right of Way of said Vision Way, and the South Right of Way of said Opportunity Way, said point also being on the North line of Lot 7, Anthem Commerce Park 33.2;

Thence S 44°46'05" W along the East Right of Way of said Vision Way, and the West line of said Lot 7, a distance of 16.89 feet;

Thence N 89°57'37" W leaving said East Right of Way, and the West line of said Lot 7, a distance of 128.00 feet to a point on the West Right of Way of said Vision Way, said point also being on the East line of Lot 31, Anthem Commerce Park 33.2;

Thence N 45°13'55" W along said West Right of Way, and the East line of said Lot 31, a distance of 17.05 feet, to the POINT OF BEGINNING.



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anthem.

BY DEL WEBB
EXHIBIT TO ACCOMPANY
LEGAL DESCRIPTION

ANTHEM COMMERCE
PARK 33.2
LOT 30

ANTHEM COMMERCE
PARK 33.2
LOT 8

OPPORTUNITY WAY

12' ACCESS, WATER &
RECHARGE EASEMENT
(DOC#00-0079903)
(TO BE RE-RECORDED)

12' ACCESS, WATER &
RECHARGE EASEMENT
(DOC#00-0079903)
(TO BE RE-RECORDED)

12' ACCESS, WATER &
RECHARGE EASEMENT
(DOC#00-0079903)
(TO BE RE-RECORDED)

N45°13'55"W

N89°57'37"E

128.00'

S44°46'05"W

17.05'

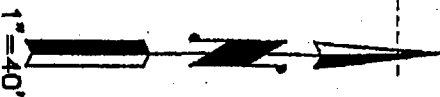
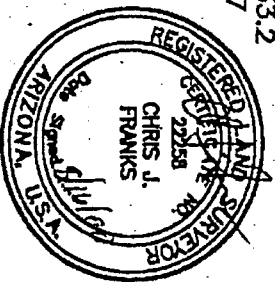
152.00'

16.89'

ANTHEM COMMERCE
PARK 33.2
LOT 31

ANTHEM COMMERCE
PARK 33.2
LOT 7

VISION WAY



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Stanley Consultants INC. Engineering, Environmental and Construction Services - Worldwide

A Stanley Group Company

1 ATTACHMENT I TO WATER LINE EASEMENT

2 Conditions and Restrictions
3 (for Benefit of City of Phoenix)
4 for
5 Water Line Easement

6 1. Initial Location of Lines. The water line and appurtenances to be constructed,
7 installed, operated and maintained will be so located or relocated as to interfere as little as
8 possible with traffic or other authorized uses over, under or through any existing or future streets,
9 avenue, alleys, highways, bridges, and other public rights-of-way dedicated, deeded or granted to
10 the City of Phoenix ("City") for public use within the same location as the Water Line Easement
11 ("Public Streets"). Those phases of construction relating to traffic control, backfilling,
12 compaction and paving, as well as the location or relocation of said water line, will be subject to
13 regulation by the Council of the City of Phoenix.

14 2. Assistance to City in Identifying the Location of Lines. If, during the design process
15 for public improvements by Phoenix or Developer, the City Engineer discovers a potential
16 conflict with the Company's proposed construction, the Company will either: (a) locate and, if
17 necessary, expose its facilities in conflict or (b) at the election of the Company, use a location
18 service under contract with the City to locate or expose its facilities. The Company will
19 reimburse the City for the cost resulting from an election to use a location service as provided in
20 clause (b) of the foregoing sentence. The City or Developer will make every reasonable effort to
21 design and construct City projects pursuant to this section so as to avoid relocation expense to
22 the Company. The Company agrees to furnish the location information in a timely manner, but
23 in no case longer than 30 days.

1 3. Scope of City Right.

2 (a) The City will have the prior and superior right to lay, construct, erect, install, use,
3 operate, repair, replace, remove, relocate, regrade, widen, realign, or maintain any Public Street
4 for all public purposes, including water mains, traffic control conduits, cable and device, sanitary
5 or storm sewers, subways, tunnels, bridges, viaducts, or any other public construction within the
6 Water Line Easement as and to the extent provided in this Section 3.

7 (b) If, during the course of a City project, the City determines the Company's
8 facilities are in conflict after the procedures set forth in Section 2 have been followed, the
9 following will apply:

10 (i) Prior to City's Notice to Proceed to Contractor:

11 The Company will, within a reasonable time, but in no event exceeding 6
12 months, relocate the conflicting facility within the Water Line Easement. This time period will
13 begin running upon receipt by the Company of written notice from the City. However, if both
14 the City and the Company agree, the time frame may be extended based on the requirements of
15 the project.

16 (ii) Subsequent to City's Notice to Proceed to Contractor:

17 If the conflicting public purpose project of the City is necessary to remedy
18 an unforeseen and continuing public emergency, the City and the Company will immediately
19 begin the coordination necessary to relocate the facility within the Water Line Easement. Actual
20 construction of such relocation will begin no later than 72 hours, if practicable, after written
21 notification from the City of the conflict.

22 (c) When the City uses its prior superior right to the Public Street as provided in this
23 Section, the Company will move its property that is located in the public street, at its own cost, to

1 such a location within the Water Line Easement as the City directs. Notwithstanding the
2 foregoing, in the event the public purpose project is paid for totally or in part by non-public
3 funds, then the Company's costs of moving its property will be borne by the source of the non-
4 public funds in the same ratio as the non-public funds bear to the total project cost.

5 4. Notice for Company Work. The Company agrees to notify the City prior to
6 removing, abandoning, relocating or reconstructing, if necessary, any portion of its water line.
7 Notwithstanding the foregoing, there may be instances when the Company is required to make
8 repairs in compliance with federal and/or state codes that are of an emergency nature. In that
9 case, the Company will notify the City prior to such repairs, if practicable.

10 5. Restoration of Streets by Company. If, in the installation, use or maintenance of the
11 water line, the Company damages or disturbs the surface or subsurface of any Public Street or
12 public improvement located thereon, therein, or thereunder, the Company will promptly, at its
13 own expense, and in a manner acceptable to the City, restore the surface or subsurface of the
14 Public Street or public property (or repair or replace the public improvement) thereon, therein, or
15 thereunder, in as good a condition as before such damage or disturbance. If such restoration,
16 repair or replacement of the surface, subsurface or any structure located thereon, therein, or
17 thereunder the Public Street is not completed within a reasonable time, or such repair or
18 replacement does not meet the City's duly adopted standards, the City will have the right to
19 perform the necessary restoration, repair, or replacement, either through its own personnel or
20 through a hired contractor, and the Company agrees to reimburse the City for its reasonable and
21 necessary expenses in so doing within 30 days after its receipt of the City's invoice therefor.

22 6. Reimbursement by Company for Reduced Useful Life of Street. The Company
23 agrees to reimburse the City for all reasonable and necessary costs arising from the reduction in

1 the service life of any public street, to the extent required by City ordinance, resulting from
2 pavement cuts of the Company. The Company agrees to pay such costs within 30 days from the
3 date of issuance of an invoice from the City for such costs.

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